

EXHIBIT 1

August 22, 2007

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Re: VCP Submission #911659038 for the San Diego City Employees' Retirement System

Dear Ladies and Gentlemen:

The purpose of this letter is to reflect the remaining items from our July 10, 2007 meeting.

415 Testing

Enclosed you will find a new print reflecting the revised 415 retroactive testing. This chart shows that 102 participants have at some point in their retirement exceeded the 415 limit.

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For that group, the chart shows each year post-retirement and the amount the benefits exceeded the limit that year (if at all). Those amounts have been run out through 6/30/07. Subsequent years' excess benefits (from July 1, 2007) will be billed to the City on the timetable required in the Preservation of Benefits Plan.

We have also enclosed a new Exhibit A showing the revised retrospective testing methodology. You will notice this assumes the IRS accepts the DROP ordering concept (DROP benefits paid count first toward 415(b) limit, monthly annuity benefits paid count second toward 415(b) limit) and the use of SDCERS's assumption of 8% to adjust the benefit forms. We have also enclosed a new Exhibit 2, revised to reflect the Final Regulations and other comments provided during our meeting on July 10th.

The total excess benefits, with interest to 6/30/07, total \$8,160,027.

Presidential Leave

In our August 6, 2007 submission, we noted that we needed to confirm Mr. Farrar's benefit if union salary is not used. That amount is \$3,858.38, for a total of \$1,839.23 per month loss.

As to the Collins and Farrar employee contributions, Mr. Collins has confirmed that his contributions were deducted on a pre-tax basis. We have been unable to reach Mr. Farrar to obtain similar confirmation, although SDCERS will assume, for purposes of its reporting obligations, that the answer is the same, as both served with the same union.

Cashless Leave Conversion

We recognize that the IRS does not accept our initial proposed resolution on this issue, i.e. billing the City of the cost of the service granted. Consequently, with respect to the cashless leave conversion issue, we would like to propose that rather than billing the City for the cost of the leave granted under this program, SDCERS will provide the affected individuals with the opportunity to either pay for the service credit obtained through the conversion or forfeit that service credit. Members who choose to pay for the service granted would be treated, pursuant to SDCERS normal administrative procedure, in the same manner as members who have underpaid for a service purchase due to an administrative error. That is, those members would be permitted to pay an amount calculated as of the time of the original purchase. The affected members could choose the manner in which they wish to finance the payment (i.e., a rollover, a transfer, or after-tax installment payments). Obviously, the one affected member who has already retired would be unable to pay in a manner which would result in annual additions under Code Section 415(c), but would be offered the opportunity to rollover or transfer to make the purchase.

The affected members would then be free to reach an independent agreement with the City regarding the value of the leave surrendered in exchange for SDCERS service credit. We believe this approach would result in the elimination of the cashless leave conversion, both

Ms. Joyce Kahn
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retroactively in practice and prospectively due to the amendments contained in the Technical Compliance Ordinance, but without causing undue injury to the affected members.

Settlement Amounts

We have enclosed a schedule showing the Settlement Amounts as well as the amounts above the ARC the City has been paying since the VCP filings started.

Draft VCP Compliance Statement

We have enclosed a draft of an insert to the compliance statement for your consideration.

Comments on Technical Compliance Ordinance

We are waiting for comments from Mr. Hogan on the Technical Compliance Ordinance, which is critical because it resolves all of the plan design failures raised in SDCERS' filings. We look forward to receiving those.


We hope this is helpful to you in considering this final resolution to our submissions.

Very truly yours,

ICE MILLER LLP


Mary Beth Braitman


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MBB/KMC:mlf/kwc

cc: David Wescoe
Roxanne Story Parks
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David Arce
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Gene Kalwarski

SDCERS CONTRIBUTION SCHEDULE AND SETTLEMENT AMOUNTS

ARC is for Fiscal Year	Valuation Report Date	Prepared By	ARC Amount	Payment Dates	Amount Paid to Date	Amounts Due from City per IRS (Amounts Due Established Per IRS Settlement)	Amount Paid Over the ARC Since 7/12/05
7/1/2005 to 6/30/2006 Extra City Contribution Received Extra City Contribution Received	6/30/2004	GRS (Note: Cheiron replicated numbers)	\$156.0 M	7/1/2005 6/22/2006 6/29/2006	\$163.0 M \$100.0 M \$8,298,430	(Note: Initial IRS filing made 7/12/05. Additional filings proposing additional City contributions made 4/19/06, 5/9/06, 6/7/06, 6/13/06, 6/19/06, and 6/22/06.) 401(h) for First Period: \$31,618,356 Retiree Health Administrative Expenses: \$2,211,895 10% Disability Overpayment: \$1,221,543	\$108,298,430**
7/1/2006 to 6/30/2007 Extra City Contribution Received Extra City Contribution Received	6/30/2005	Cheiron	\$162.0 M	7/1/2006 6/29/07 6/30/07	\$162.0 M \$6.2 M \$808,977	(Note: IRS filing on 415 made 8/6/06) *** 415 Excess Benefits: \$8,160,027	\$7,008,977
7/1/2007 to 6/30/2008 Extra City Contribution Received	6/30/2006	Cheiron	\$137.7 M	7/2/2007 7/2/2007	\$137.7 M \$27,334,773		\$27,334,773
GRAND TOTALS			\$455,700,000		\$605,342,180	\$43,211,821	\$142,642,180

* Settlement amounts in this group calculated as of June 30, 2006. Includes interest at 8% to June 30, 2006.

** Did not include difference between \$163 and \$156 M since paid 7/1/05 prior to first filing with IRS on 7/12/05.

*** Settlement amounts calculated as of June 30, 2007. Includes interest at 8% to June 30, 2007.

I/1994231.1

August 20, 2007

VOLUNTARY CORRECTION PROGRAM

COMPLIANCE STATEMENT

Date: _____

Re: San Diego City Employees' Retirement System

Control Number: 911659038

EIN: 20-1800126

The Board of Administration of the San Diego City Employees' Retirement System ("Applicant") administers the San Diego City Employees' Retirement System ("SDCERS") and has submitted a request to the Internal Revenue Service ("the Service") under the Voluntary Correction Program for a compliance statement relating to qualification failures under Section 401(a) of the Internal Revenue Code ("Code"). SDCERS uses the twelve-month period that ends on June 30 as its plan year.

SDCERS is a governmental defined benefit plan.

The Submissions

Applicant has made a series of filings with respect to plan design failures and operational failures, which are listed below. These original filings were supplemented by various responses that have been filed with the Service (collectively, the "Submissions"). Final Compliance Reports submitted with each of the Submissions are made a part of this compliance statement.

Applicant's Description of Qualification Failures – Plan Design Failures

SDCERS has identified and described certain plan design failures in filings dated as follows:

- July 12, 2005 (relating to the Presidential Leave Program – impermissible participation by non-governmental employers),
- June 19, 2006 (relating to Code Section 401(a)(2) and cashless leave conversion – impermissible deferrals),
- June 22, 2006 (relating to Code Section 401(h) – impermissible use of pension assets), and
- March 14, 2007 (relating to retroactive amendments – failure to amend the plan for Code requirements).

Applicant's Description of Qualification Failures – Operational Failures

SDCERS has identified and described certain operational failures in filings dated as follows:

- April 19, 2006 (relating to Code Section 401(a)(9) – failure to make distributions by the required beginning date),
- April 19, 2006 (relating to Code Section 401(a)(17) – failure to limit compensation pursuant Code limits),
- May 8, 2006 (relating to Code Section 401(a)(31) – failure to provide required notices),
- June 13, 2006 (relating to Code Section 401(a)(2) and disability benefits – failure to follow the terms of the plan), and
- August 9, 2006 (relating to Code Section 415(b), (c) and (m) – failure to implement contribution and benefit limitations under the Code).

Applicant's Correction for Plan Design Failures

The Applicant's proposed methods of correction and revision of the plan document to address plan design failures are appropriate for the failures identified. The Applicant has submitted to the San Diego City Council for adoption an ordinance containing the following revisions to the plan document:

- Establishing that the Board will adopt member contribution rates by rule.
- Requiring that the Board establish by rule employer contribution rates based on the advice of the actuary, rather than such rates being agreed upon in a Memorandum of Understanding or any other means.
- Providing that certain Board rules are incorporated into the Municipal Code by reference, if so designated by the Board, and thus are a part of the SDCERS plan document.
- Adding extensive new provisions on compliance and qualification. This involved the addition of a number of provisions relating to compliance with the Internal Revenue Code. In addition, existing provisions were extensively revised to bring them up to date and to properly reflect required remedial amendments.
- Adding a provision to ensure that the Presidential Leave program would not be re-established and that no member would receive service credit or base contributions on employment with a union.
- Removing all provisions relating to the Cashless Leave Conversion program, thus eliminating that program.

- Deleting the 401(h) account and any discussion or payment of retiree medical benefits and language related to funding that account (see additional discussion below).

Adoption of the proposed ordinance and adoption of specified Board rules are requirements of this Compliance Statement.

With respect to failures relating to Code Section 401(h), the funding of retiree health care benefits by the City and SDCERS operated differently from time to time; and, therefore, different issues were raised during three distinct time periods.

- During the first period (July 1, 1982 through June 30, 1991), it is undisputed that retiree health benefits were impermissibly paid with pension assets in the amount of \$8,227,271. This use of pension assets violated the exclusive benefit rule. Applicant has sought the repayment of this amount from the City. This amount is included in the Settlement Amount described below.
- During the second period (July 1, 1991 through June 30, 1997), the City directly funded retiree health benefits from City assets (not pension assets) and no issues were raised.
- During the third period (July 1, 1997 through June 30, 2005), retiree health benefits were paid from the 401(h) account, but funding of these benefits was achieved in a manner which resulted in underfunding of the pension plan. In addition, the flow of funds was structured in a manner which made it extremely difficult, if not impossible, to resolve that there was no direct or indirect inappropriate use of pension funds. Consequently, the City has agreed to resume direct funding of retiree health benefits, and the 401(h) account has been completely eliminated.

SDCERS realizes that 401(h) accounts must be funded by separately designated employer contributions, and cannot be funded from pension assets. In addition the expense of administering retiree health benefit through a 401(h) account or otherwise must not be borne by pension assets. To codify this position, the proposed Municipal Ordinance must be adopted, striking the language related to funding the 401(h) account, as well as the authorization for the account itself.

Applicant's Correction of Operational Failures

The Applicant's proposed methods of correction and revision of administrative procedures set forth in the Submissions are appropriate for the operational failures identified.

Full Settlement with regard to Employer Contributions

As a result of the failures described in the Submissions, the Applicant has sought additional employer contributions for the trust fund. These employer contributions are in addition to the amounts specified by the actuary for the actuarial required contribution ("ARC") to SDCERS. The City of San Diego has paid, in full settlement of all issues involved in the Submission, including but not limited to the issues surrounding the 401(h) account,

\$142,642,180 in employer contributions over the ARC to SDCERS, as determined by SDCERS current actuary, since the filing of the first Submission (July 12, 2005).

The Applicant nor the City will neither attempt to amortize, deduct, or recover from the Internal Revenue Service any compliance fee paid in connection with this compliance statement, nor receive any Federal tax benefit on account of payment of such compliance fee.

Enforcement Resolution

The Service will not pursue the sanction of plan disqualification on account of the qualification failures described in the Submissions.

This compliance statement considers only the acceptability of the correction method(s) and the revision(s) to administrative procedures described in the Submissions and does not express an opinion as to the accuracy or acceptability of any calculations or other material submitted with the application. The compliance statement should not be construed as affecting the rights of any party under any other law.

This compliance statement is conditioned on (1) there being no misstatement or omission of material facts in connection with the Submissions, and (2) the completion of all corrections described in the Submissions and in this Compliance Statement, including adoption of the Technical Compliance Ordinance by the City Council, within one hundred fifty (150) days of the date of the compliance statement.

By signing this compliance statement, the Applicant hereby agrees to its terms.

The Board of Administration of SDCERS

By: _____

Title: _____

Date: _____

Approved: _____

SUPPLEMENTAL AGREEMENT

The City of San Diego ("Sponsor") is the sponsor of SDCERS. The Sponsor realizes the Compliance Statement between SDCERS ("Applicant") and the Service results in a full resolution of all issues raised in the Submissions and ensures that the Service will not pursue the sanction of plan disqualification on account of the qualification failures described in the Submissions. The City understands that any monetary responsibility it may have as a result of the failures described in the Submissions has been resolved in full through its payment of additional employer contributions over the Annual Required Contribution ("ARC") to SDCERS since the filing of the first Submission on July 12, 2005. The City agrees to use its best efforts to ensure the adoption of the Technical Compliance Ordinance by the City Council within one hundred fifty (150) days of the date of the Compliance Statement and recognizes that the protection provided for the qualified status of SDCERS is conditioned upon satisfaction of this requirement.

By signing this Supplemental Agreement, the City hereby agrees to its terms.

The City of San Diego

By: _____

Title: _____

Date: _____

Approved: _____

EXHIBIT 2

EXHIBIT 2 -- REVISED

**SAN DIEGO CITY EMPLOYEES
RETIREMENT SYSTEM**

415(b), (c), and (n) Compliance Strategy Report

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Originally Issued: August 9, 2006

Revised: August ____, 2007

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I. INTRODUCTION

Ice Miller LLP ("Ice Miller") has been retained to provide a compliance review with regard to the Internal Revenue Code of 1986, as amended ("Code"), requirements applicable to the status of the San Diego City Employees' Retirement System ("SDCERS") as a qualified retirement plan under Code Section 401(a).

Ice Miller is not considering tax reporting and withholding under the Code nor any other federal law. We are also not deliberating any state law issues. Where state law must be considered, we are relying on interpretations provided by SDCERS counsel.

This report pertains to Code Section 415(b) and 415(c), and to Code Section 415(n) as it is related to 415(b) and 415(c). We have touched on Code Section 415(m) only with respect to the treatment of excess benefits under Code Section 415(b). We have prepared a separate briefing document for SDCERS on the topic of 415(m).

We have based this report on the material provided to us by SDCERS. We have not independently verified what has been provided to us. We are relying on SDCERS to provide us with documents, forms, and information necessary for this review.

This report was issued as part of the VCP supplement that was submitted to the IRS on August 9, 2006. In response to comments and questions by the IRS, this report has been revised. In addition, this report has been updated to reflect changes made by the Pension Protection Act of 2006 ("PPA") and the Final Regulations issued under Code Section 415 on April 5, 2007.

II. IMPORTANCE OF CODE SECTION 415 COMPLIANCE

A. SDCERS AS A QUALIFIED GOVERNMENTAL PLAN

Retaining "qualified plan" status under Code Section 401(a) is an important requirement for retirement plans. The primary advantages in retaining "qualified" status are that (i) employer contributions are not taxable to members as they are made (even when vested) and taxation only occurs when plan distributions are made, (ii) earnings and income are not taxed to the trust or the members; (iii) certain favorable tax treatments are available to members when they receive plan distributions, e.g., ability to rollover amounts; (iv) employers may "pick up" employee contributions; and (v) employer contributions to, and benefits from, the plan are never subject to employment taxes (i.e., FICA taxes). These advantages would generally not apply to a non-qualified plan.

B. CODE SECTION 415 LIMITS

One key qualification requirement applicable to qualified plans is the Code Section 415 limits. Code Section 415 benefit and contribution limits must be followed to protect the tax qualified status of a retirement plan under Code Section 401(a). These limits must be met by all plan members. If even one member is paid an annual benefit greater than Code Section 415

Revised 8/20/07

allows, or contributes more than Code Section 415 allows, theoretically, the entire plan will be disqualified.

C. FINAL REGULATIONS

Final Regulations under Code Section 415 were issued by the IRS April 5, 2007. The Final Regulations are effective for governmental plans for all limitation years that begin more than 90 days after the close of the first regular legislative session of the legislative body with authority to amend the plan that begins on or after July 1, 2007. However, a governmental plan may apply the provisions of the Final Regulations as early as the limitation year beginning on or after July 1, 2007.

III. OVERVIEW OF LAW WITH RESPECT TO DEFINED BENEFIT LIMITATIONS

This Section of our Compliance Strategy Report provides an overview of the federal law with regard to Code Section 415(b). The impact of Code Section 415(b) on SDCERS and our specific recommendations for a compliance strategy are included in the next Section of this Report.

A. BASIC BENEFIT LIMITS

1. Current Limits

As amended by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), the basic requirement of Code Section 415(b) is that the annual benefit in the form of a single life annuity provided to a member who is between the ages of 62 and 65 may not exceed the lesser of: (1) \$160,000 as adjusted for inflation in \$5,000 increments (the "Dollar Limit"), or (2) 100% of average compensation (the "Salary Limit"). Code Section 415(b)(1). The Salary Limit does not apply to governmental plans such as SDCERS. Therefore, the following discussion and our methodology do not include the Salary Limit.

2. Limitation Year

The annual benefit is tested in a "limitation year." Unless an election is made by the employer, the limitation year is the calendar year. Treas. Reg. § 1.415(j)-1. An employer that maintains more than one qualified plan may elect to use different limitation years for each such plan. Treas. Reg. § 1.415(j)-1(c).

Retrospectively, the IRS is requiring that SDCERS use a July 1 fiscal year for testing. The analysis of 415(b) limits in the context of the Fiscal Year is summarized in the following regulatory provision:

The adjusted dollar limitation applicable to defined benefit plans and the adjusted compensation limit applicable to a participant are effective as of January 1 of each calendar year and apply with respect to limitation years ending with or within that calendar year. However, benefit payments (and, in the case of plans that are

subject to the requirements of section 411, accrued benefits for a limitation year) cannot exceed the currently applicable dollar limitation or compensation limitation (as in effect before the January 1 adjustment) prior to January 1. Thus, where there is an increase in the limitation under section 415(b)(1), any increase in a participant's benefits associated with the limitation increase is permitted to occur as of a date no earlier than January 1 of the calendar year for which the increase in the limitation is effective, and can only be applied for payments due on or after January 1 of such calendar year. For example, assume that a participant in a defined benefit plan is currently receiving a benefit in the form of a straight life annuity, payable monthly, in an amount equal to the section 415(b)(1)(A) dollar limit, and the defined benefit plan has a limitation year that runs from July 1 to June 30. If the plan is amended to reflect the section 415(d) increase to the section 415(b)(1)(A) dollar limit that is effective as of January 1, 2009, the associated increase in the participant's monthly benefit payments is only effective for payments due on or after January 1, 2009, and the participant's benefit cannot be increased to reflect the section 415(d) increase that is effective January 1, 2009, with respect to any monthly payment due prior to January 1, 2009.

Treas. Reg. § 1.415(d)-1(a)(3) (emphasis added). Applying this regulation to the SDCERS situation, we come up with the following example:

As of July 1, 2005, the limitation on the annual benefit is \$170,000, but assume that the member's annual benefit for the Fiscal Year would be \$175,000 under the applicable formula. (For purposes of this example we are assuming a single straight life annuity with no after-tax contributions and no rollovers to consider.) The monthly benefit that is paid from July 1, 2005, through December 31, 2005 cannot exceed 1/12 of \$170,000. However, starting January 1, 2006, when the annual limit goes to \$175,000, the monthly benefit can increase so it is 1/12 of \$175,000. Under this approach, no excess would be paid out of an excess benefit plan in 2005 and the make-up payment would be paid in 2006.

Prospectively, as of January 1, 2008, SDCERS will move to a calendar year for 415 testing, assuming a technical ordinance is adopted to amend the San Diego Municipal Code.

B. TAMRA ELECTION

Section 415(b)(10) of the Code was added by the Technical and Miscellaneous Revenue Act of 1988 (sometimes called TAMRA) to offer state and local government plans a means of complying with the Section 415 limits without violating state anti-cutback laws. Under this Section, the defined benefit limit for an employee who became a participant in the plan before January 1, 1990, would not be less than his or her accrued benefit determined without regard to any plan amendment adopted after October 14, 1987. However, for a state or local government to take advantage of Section 415(b)(10), each employer maintaining the plan was required to elect, before the close of the plan year beginning in 1990, to apply the defined benefit limits applicable to private plans to employees who first became participants after 1990. However, there were also special provisions for state-wide statutory changes. For plans that made a TAMRA election, the qualified participants would still have their TAMRA protection.

DID
SDCERS
MAKE
THIS
ELECTION

Revocation of a TAMRA election is permitted pursuant to Code Section 415(b)(10)(C)(ii), effective for all plan years to which the election applied and to all subsequent plan years, provided the revocation is accomplished by the last day of the third plan year beginning after August 20, 1996.

C. AMOUNTS EXCLUDED FROM TESTING

For purposes of Code Section 415(b), the annual benefit means the benefit payable annually in the form of a straight life annuity (with no ancillary benefits), without considering payments made from a qualified excess benefit arrangement, after-tax employee contributions, and any rollover contributions. Code Section 415(b)(2).

1. Ancillary Benefits

"Ancillary benefits" do not count toward the benefits subject to Code Section 415. As a result, any benefit that is an ancillary benefit can exceed the 415 limits without the plan being disqualified. Generally, "ancillary benefits" are benefits not directly related to retirement income benefits. Ancillary benefits include "pre-retirement disability benefits and death benefits (such as in-service death benefits)." Code Section 415(b)(2)(B); Treas. Reg. § 1.415(b)-1(c)(4).

a. Pre-Retirement Disability Benefits

Pre-retirement disability benefits "not in excess of the qualified disability benefit" may be disregarded for purposes of 415(b) testing. However, any pre-retirement disability benefits which exceed the "qualified disability benefit" limitations established in Code Section 411(a)(9) must be included in the benefit tested against the 415(b) limitation. Treas. Reg. § 1.415(b)-1(c)(4)(i)(B). In contrast, post-retirement disability benefits must be taken into account for purposes of complying with the Code Section 415 limitations. Thus, (1) pre-retirement disability benefits which exceed the qualified disability benefit, (2) post-retirement disability benefits, (3) line of duty disability benefits paid post normal retirement date, and (4) pre-retirement disability benefits payable post normal retirement age will be tested under Code Section 415(b).

b. Pre-Retirement Death Benefits

Pre-retirement death benefits provided under a governmental plan are also exempt from the Code Section 415 limits. Treas. Reg. § 1.415(b)-1(c)(4)(i)(B). The Final Regulations make it very clear that pre-retirement death benefits must meet the incidental benefit requirements of Code Section 401 and the regulations thereto in order to be excluded from 415(b) testing. Generally speaking, death benefits are incidental where the plan provides a pre-retirement death benefit that is no greater than 100 times the monthly annuity benefit provided under the plan, or the cost of the death benefit does not exceed 25% of the total cost of all benefits for that participant. (This latter test would be one that would be analyzed by an actuary.) Revenue Ruling 74-307, 1974-2 C.B. 126.

2. Qualified Excess Benefit Arrangement ("QEBA")

Effective for years after December 31, 1994, state and local government employers may maintain "qualified governmental excess benefit plans" ("QEBA") under Code Section 415(m).

Excess Plans are plans that provide benefits that cannot be provided under a qualified plan due to the limits on contributions and benefits. Excess Plans permit state and local government employers to provide benefits to their employees:

- (1) without jeopardizing plan qualification because of the limits on contributions and benefits under Code Section 415,
- (2) without jeopardizing a plan's status under Code Section 457 as an "eligible deferred compensation plan," and
- (3) without the income that accrues to the qualified governmental excess benefit plan being taxable to the plan's government sponsor.

As we have discussed, we will not be addressing Code Section 415(m) and QEBAs in detail in this report, but in a separate report. However, for the purposes of determining retrospective benefit testing protocols, we think that it is relevant to consider the following provisions that accompanied the enactment of Code Section 415(m):

Nothing in the amendments made by this section shall be construed to imply that a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986) fails to satisfy the requirements of section 415 of such Code for any taxable year beginning before January 1, 1995.

P.L. 104-188, § 1444(c)(2). Under this grandfather section, retroactive testing for plan qualification purposes does not need to consider payments made prior to January 1, 1995.

3. Allocation of Benefits to After-Tax Employee Contributions

Treasury Regulation § 1.415(b)-1(b)(1)(ii) provides that the benefit attributable to "Employee Contributions" is not included in the benefit which is tested against the 415(b) limitation. In general, this is because these contributions are deemed to be annual additions and subject to Code Section 415(c) limits (discussed below in more detail). Therefore, because the benefits have already been tested under Code Section 415(c), any portion of a defined benefit attributable to those after-tax contributions may be subtracted from the annual benefit before it is tested under Code Section 415(b). However, it is important to note that benefits that would be attributable to excess 415(c) contributions would not be "subtracted" from the annual benefit for 415(b) testing purposes.

a. Definition of Employee Contributions

Only certain employee contributions are treated as Employee Contributions for purposes of 415(b) testing. In particular, the following items are not treated as Employee Contributions and therefore the benefit attributable to these items is included for purposes of 415(b) testing:

- Contributions picked up by the employer pursuant to Code Section 414(h).
- Any repayment of a loan from the plan to the participant.

- Certain repayments amounts previously distributed upon the participant's termination of participation in the plan.
- Certain repayments of a withdrawal of employee contributions.

b. Mandatory Employee Contributions

Treasury Regulation § 1.415(b)-1(b)(2)(iii) provides that the annual benefit attributable to mandatory contributions is determined by using the factors described in Code Section 411(c)(2)(B) "regardless of whether the requirements of sections 411 and 417 apply to that plan." Treasury Regulation § 1.411(c)-1(c) establishes the required method for allocating a portion of the defined benefit to the after-tax employee contributions for purposes of excluding this amount from the final annual benefit to be tested. The method requires calculation of the after-tax (not picked up) employee contributions (both mandatory employee contributions and any voluntary after-tax payments for service purchases unless tested under Code Section 415(n)), plus interest, at rates specified by the regulations. See Treas. Reg. § 1.411(c)-1(c). Generally, interest is computed at the rate provided by the plan until the last plan year before Code Section 411(a)(2) does not apply. Id. Thereafter, a plan should use a 5% interest rate factor.

In general, Code Section 411(a)(2) does not apply to a governmental plan, such as SDCERS. However, the Final Regulations provide that Code Section 411 should be treated as applicable to this calculation even if the section is not applicable to the plan. The Explanation of Provisions in the Final Regulations states that a plan not subject to Code Section 411(a)(2), such as a governmental plan, should determine what the effective date of Code Section 411(a)(2) would have been if 411 applied to the plan and then apply the specific interest rates appropriately. Therefore, only the benefit attributable to employer contributions using 411 factors can be excluded from 415(b) testing.

Treasury Regulation § 1.415(b)-1(b)(2)(iii) clearly indicates that the Code Section 411 factors should be applied to a governmental plan for purposes of determining the benefit attributable to employee contributions for purposes of Code Section 415(b) testing. The 411 factors are the following: for contributions prior to 1976, use the interest rate in the plan document, if any; for contributions between 1976-1987, use 5%; for contributions from 1988 through the date the benefit commences or the annuity starting date (the determination date), use 120% of the mid-term applicable federal rate; and for contributions from the determination date to the normal retirement date (the date at which unreduced benefits are paid), use the applicable 417(e) interest rate. For plan years beginning before January 1, 2008, the applicable 417(e) rate is the annual rate on 30-year Treasury securities for the month before the distribution. For plan years beginning on and after January 1, 2008, the applicable 417(e) rate is the adjusted first, second and third segment rates for the month before the distribution. The segment rates are based on the corporate bond yield curve based on varying maturities. The IRS announces all this monthly.

Thus, SDCERS must determine what the effective date of Code Section 411(a)(2) would have been, had that provision applied to SDCERS, and then apply the appropriate 411 factors from that date forward in order to determine the benefit attributable to after-tax employee contributions. For that purpose, the vesting rules of Code Section 411(a)(2) were generally

applicable to plan years beginning after September 1, 1976. However, for a plan in existence on January 1, 1974, Code Section 411(a)(2) was applicable for plan years beginning after 1975.

As noted above, this would be the same approach that would be followed in testing the benefit attributable to rollovers and transfers that are used to purchase service.

c. Voluntary After-Tax Contributions

Where a plan permits voluntary after-tax employee contributions, the portion of the plan to which such contributions are made is treated as a defined contribution plan. Therefore, voluntary after-tax contributions are subject to the 415(c) contribution limits and not the 415(b) benefit limits. Treas. Reg. § 1.415(b)-1(b)(2)(iv). The benefit attributable to voluntary after-tax contributions is not subject to 415(b) testing. However, that calculation is done using 411 factors as above.

4. Employee After-Tax Contributions for Permissive Service Credit

Code Section 415(n) establishes a limitation structure for "permissive service credit" purchases, instead of relying on the existing Code Section 415(c) defined contribution limitations. This subsection allows Code Section 415 to be satisfied by a purchase of permissive service credit if either a modified 415(b) limit is met or a modified 415(c) limit is met. These limits can be applied on a participant-by-participant basis rather than choosing to apply the limit on a plan-wide basis. For example, some participants could satisfy the modified defined benefit limit when making a purchase of permissive service credit, while others could satisfy the modified defined contribution limit.

a. Modified 415(b) Limit

For purposes of Code Section 415(n), the defined benefit limit in Code Section 415(b) may be met by treating the accrued benefit derived from all permissive service credit as part of the member's annual benefit. Code Section 415(n)(2)(A) provides that, where the dollar limit under 415(b) is reduced for retirement before age 62, "the plan shall not fail to meet the reduced dollar limit under Subsection (b)(2)(C) [the age-reduced dollar limit] solely by reason of this subsection." Thus, the plan will not fail to meet the age-reduced dollar limit solely because the accrued benefit derived from the permissive service credit purchase is included in the 415(b) test.

b. Modified 415(c) Limit

For purposes of Code Section, only the dollar limit under Code Section 415(c) applies (\$40,000 (adjusted for inflation)) by treating all permissive service contributions as an annual addition under that limit.

c. Definition of Permissive Service Credit

The special testing rules apply only if the service being purchased qualifies as permissive service credit. Code Section 415(n)(3) defines "permissive service credit" as follows:

- (3) PERMISSIVE SERVICE CREDIT.—For purposes of this subsection—

(A) IN GENERAL.—The term "permissive service credit" means service credit—

(i) recognized by the governmental plan for purposes of calculating a participant's benefit under the plan,

(ii) which such participant has not received under such governmental plan, and

(iii) which such participant may receive only by making a voluntary additional contribution, in an amount determined under such governmental plan, which does not exceed the amount necessary to fund the benefit attributable to such service credit.

Such term may include service credit for periods for which there is no performance of service, and, notwithstanding clause (ii), may include service credited in order to provide an increased benefit for service credit which a participant is receiving under the plan.

Code Section 415(n)(3)(A). The proper interpretation of the Code Section 415(n) definition of permissive service credit is not a settled term. The Final Regulations do not address 415(n) issues. However, the PPA did clarify that benefit enhancement purchases (buying a higher multiplier on service a member already has in a plan) or airtime purchases (buying service credit for a period for which there is no performance of service) both qualify as permissive service credit.

d. Nonqualified and Qualified Permissive Service

Permissive service credit can be categorized into two types. First, the Code defines "non-qualified service credit" as all permissive service credit that does not fall within one of the itemized types listed in Code Section 415(n)(3)(C). Although the Code does not use this term, we have termed the types of service included in this list as "qualified permissive service."

Code Section 415(n)(3)(C) defines "nonqualified service" as all permissive service except for the following types of service (which we have designated "qualified permissive service"):

- Service (including parental, medical, sabbatical, and similar leave) for the US government, any state or political subdivision thereof, or any agency or instrumentality of any of the foregoing.
- Service (including parental, medical, sabbatical, and similar leave) for an educational organization which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12) as determined under state laws.
- Service for an association of employees of the U.S., state or political subdivision thereof, or an agency or instrumentality of the foregoing.

- Military service (non-USERRA covered) recognized by the governmental plan.

However, service under the first three (3) points above will be nonqualified service if recognition of the service would cause the member to receive a retirement benefit for the same service under more than one plan. Code Section 415(n) does not permit a plan to take more than five (5) years of nonqualified service into account, or to give members credit for any nonqualified service before the member has at least five (5) years of participation in the plan. Code Section 415(n)(3)(B). The PPA clarified that these limits do not apply to trustee-to-trustee transfers from a 457(b) plan or a 403(b) plan for the purchase of permissive service credit.

It is important to note that "nonqualified service" is still one type of permissive service that is described in Section 415(n)(3)(A). Therefore, nonqualified service is available for purchase and may be tested under Code Section 415(n) special testing provisions.

e. Effective Dates

The service purchase testing provisions for permissive service credit under Code Section 415(n) are subject to a transition rule. The transition rule provides that the defined contribution limits of Code Section 415(c) will not be used to reduce the amount of permissive service credit an "eligible participant" can purchase below what they were allowed to purchase under the terms of the plan as in effect on the enactment date, August 5, 1997. An "eligible participant" is an individual who first becomes a participant in the plan before the first plan year beginning after the last day of the calendar year in which the next regular session (following the date of enactment) of the governing body with authority to amend the plan ends.

Because the term "permissive service" is used in the grandfather provision, we believe that the IRS would apply a consistent definition of permissive service credit to the transition rule. As a result, the transition provision could permit greater purchases of nonqualified service and could permit permissive service purchases that exceed 415(c) and (b) limits, but would not extend to the purchase of service that did not meet the definition of permissive service credit.

5. Picked-Up Contributions

It is important to note that pre-tax contributions ("picked-up contributions"), whether mandatory or voluntary, are not treated as post-tax contributions. The benefit attributable to picked-up contributions is subject to 415(b) testing. Treas. Reg. § 1.415(b)-1(b)(2)(ii)(A).

6. Amounts Attributable to Rollovers

Rollovers to a defined benefit plan are treated similarly to employee contributions for purposes of 415(b) testing:

If the benefit under the plan is payable in any form other than the form described in subparagraph (A), or if the employees contribute to the plan or make rollover contributions (as defined in sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16), the determinations as to whether the limitation described in paragraph (1) has been satisfied shall be made, in accordance with regulations prescribed by

the Secretary, by adjusting such benefit so that it is equivalent to the benefit described in subparagraph (A).

Code Section 415(b)(2)(B). The Final Regulations treat rollovers in a manner similar to after-tax contributions, so that the benefit attributable to the rollover must be converted in accordance with prescribed 411 factors. This is true only to the extent the plan provides for a benefit based upon the rollover contributions. That is, if the benefit attributable to the rollover contributions is based upon a separate account, in which the rollover contributions are credited with actual earnings and losses, then the separate account is treated as a defined contribution plan. Treas. Reg. § 1.415(b)-1(b)(2)(v).

7. Amounts Attributable to Transfers between Qualified Plans

Under the Final Regulations, the treatment of transferred benefits for purposes of the 415(b) limits depends upon the types of plans involved and whether there is any relationship between them. Where the transfer is from one defined benefit plan to another defined benefit plan, the receiving plan must include the transferred benefits for purposes of applying the 415(b) limitations. Treas. Reg. § 1.415(b)-1(b)(3)(i)(C).

Where the transfer occurs between two plans which must be aggregated, the transferred benefits must be included by the receiving plan for 415(b) testing purposes. Where the transfer occurs between two plans which are not aggregated, the transferor plan is required to include the transferred benefits by treating the benefits as if provided as an annuity from a separate plan which must be aggregated with the transferor plan. Treas. Reg. § 1.415(b)-1(b)(3)(i)(A), (B).

8. Plan-to-Plan Transfers from a 457(b) or 403(b) Plan

Amounts accepted in a plan to plan transfer from a 457(b) or 403(b) plan should be treated in the same manner as a rollover, as discussed above.

9. Restoration of Contributions

Code Section 415(k)(3) provides that any repayment of contributions (including interest) will not be taken into account for Code Section 415 purposes if the repayment is to a governmental plan with respect to an amount previously refunded on a forfeiture of service credit under that plan or any other governmental plan maintained by the state or any local governmental employer within the same state. Thus, so long as the amount repaid does not exceed the amount refunded, plus interest, Code Section 415 should not apply. However, the Final Regulations do provide that the restored benefit is to be treated for testing purposes as the original benefit would have been treated.

D. AGE-BASED ADJUSTMENT TO LIMITS

1. Benefits Before Age 62

When the benefit begins before the participant reaches age 62, the Dollar Limit benefit limit generally must be actuarially adjusted so that the limit (as reduced) equals an annual benefit that is payable when the retirement benefit begins, and which is the equivalent of the Dollar

Limit beginning at age 62. Code Section 415(b)(2)(C). The actuarial adjustments must be made in accordance with Code Section 415(b)(2)(E). Treas. Reg. § 1.415(b)-1(d). Pre-EGTRRA, Code Section 415(b)(2)(F) limited the actuarial reduction for governmental plans to a \$75,000 benefit payable at age 55 or, if the benefit began before age 55, the actuarial equivalent of a \$75,000 benefit beginning at age 55.

a. Exception for Public Safety and Military

However, no age-based actuarial reduction is required for benefits beginning prior to age 62 for qualified participants. A qualified participant is defined as a participant:

(i) in a defined benefit plan which is maintained by a State, Indian tribal government (as defined in section 7701(a)(40)), or any political subdivision of a state or Indian tribal government,

(ii) with respect to whom the period of service taken into account in determining the amount of the benefit under such defined benefit plan includes at least 15 years of service of the participant –

(I) as a full-time employee of any police department or fire department which is organized and operated by the State, Indian tribal government, or political subdivision maintaining such defined benefit plan to provide police protection, firefighting services, or emergency medical services for any area within the jurisdiction of such State, Indian tribal government, or political subdivision, or

(II) as a member of the Armed Forces of the United States.

Treas. Reg. § 1.415(b)-1(d)(3). Historically, there has been some concern over the interpretation of the statutory provision. For example, it was not entirely clear whether the qualified participant had to be a sworn officer of a police department or whether any employee of a police department would be covered by this provision. However, the Final Regulations offer some clarification, making it clear that the application of the rule depends on whether the employer is a police department or fire department of the state or political subdivision, rather than on the job classification of the individual participant.

This exception is very beneficial to public safety officers and to other employees of police and fire departments, including non-public safety personnel. However, this definition does not cover all public safety employees. The examples in the Final Regulations make it clear that an employee of a police division of an agency may be a qualified participant, but that an ambulance driver who works for an emergency medical services agency rather than a police or fire department cannot. While the name of the agency is not important, it is necessary that the employer (or at least the appropriate division of the employer) function as a police or fire department. Also, it is helpful to note that the examples in the Final Regulations do make it clear that the 15 years can be satisfied with a combination of police/fire service and military service.

b. Exception for Disability and Death Benefits

In addition, the actuarial reduction for benefits beginning before age 62 does not apply to disability benefits or survivor benefits payable in the event of the disability or death of the member provided under a governmental plan. Code Section 415(b)(2)(I). The benefit must be paid "on account of the participant's becoming disabled by reason of personal injuries or sickness, or as a result of the death of the participant." Treas. Reg. § 1.415(b)-1(d)(4). This provision will mitigate the IRS position that post-retirement disability benefits must be tested under 415(b).

c. Exception for Permissive Service Credit Procedures

A purchase of permissive service credit may be tested under Code Section 415(b) without regard to the reduction for early retirement.

2. Benefits After Age 65

For all members, if the retirement benefit under the plan begins after age 65 and is actuarially increased due to the delayed starting date, the Dollar Limit is increased so that it is the actuarial equivalent of an annual benefit beginning at age 65. Code Section 415(b)(2)(D). The actuarial assumptions used to make this conversion are set forth in Code Section 415(b)(2)(E). However, under the Final Regulations, this adjustment in the Dollar Limit is only available where the benefit is also increased post age 65

E. ADDITIONAL SPECIAL RULES

Code Section 415(b) has a number of additional special rules that may impact governmental employers.

1. Small Benefits

Code Section 415(b)(4) provides that defined benefit limits will not be applied to reduce a participant's benefits when total annual distributions are \$10,000 or less. However, this limitation only applies "if the employer has not at any time maintained a defined contribution plan in which the employee has participated." Code Section 415(b)(4)(B); Treas. Reg. § 1.415(b)-1(f). The \$10,000 test is measured against actual distributions – not the actuarial equivalent of a straight life annuity.

2. Less than 10 Years of Participation

When an employee has less than ten years of participation in a defined benefit plan, the basic Code Section 415(b) Dollar Limit (or the minimum \$10,000 exemption from testing) is reduced by 10% for each year less than ten in which the employee participated in the defined benefit plan for other than death and disability benefits (but not below 1/10th of the Dollar Limit). Code Section 415(b)(5) and Treas. Reg. § 1.415(b)-1(g).

F. OPTIONAL FORMS OF BENEFITS – BENEFITS OTHER THAN A STRAIGHT LIFE ANNUITY

Benefits in a form other than a straight life annuity must be actuarially adjusted to a straight life annuity beginning at the same age in accordance with the otherwise applicable rules. For example, annuity benefit forms including a post-retirement death benefit or an annuity providing for a guaranteed number of payments must be adjusted for purposes of applying the Code Section 415(b) limit. See Treas. Reg. § 1.415(b)-1(c).

1. 417(e)(3) Benefits and Non-417(e)(3) Benefits

Code Section 415(b)(2)(E)(i) provides that "for purposes of adjusting any limit under subparagraph (C) [adjustment to dollar limit before age 62] and ... for purposes of adjusting any benefit under subparagraph (B) [adjustment for other forms of benefits], the interest rate assumption shall not be less than the greater of 5% or the rate specified in the plan." With respect to adjusting a different form of benefit (under Code Section 415(b)(2)(B)), different interest rate assumptions are used in the case of a form of benefit subject to Code Section 417(e)(3). Code Section 415(b)(2)(E)(ii). However, prior to the Final Regulations, because a governmental plan is not subject to Code Section 417(e)(3), these different interest rate assumptions were not considered to be applicable to governmental plans. Rev. Rul. 98-1, Q&A-3, concluded that plans that are not subject to Code Section 417(e)(3), such as governmental plans, were not subject to the interest rate requirement under Section 415(b)(2)(E)(ii).

However, with the Final Regulations this position has been changed for governmental plans on and after the effective date. The Explanation of Provisions to the Final Regulations states that because Code Section 415(b)(2)(E) applies based on the form of the benefit rather than the status of the plan, the rules set forth in Treasury Regulations § 1.415(b)-1(b)(c) that dictate the manner of adjusting forms of benefit to which 415(e)(3) does or does not apply must be used regardless of whether Code Section 417(e)(3) otherwise applies to the plan. Thus, a governmental plan must follow these rules, presumably as if 417(e)(3) applied.

Code Section 417(e)(3) generally applies to full and partial lump sum distributions and period certain annuities. In a governmental plan, this may include DROP distributions and level income options which do not qualify as Social Security options. Treasury Regulation § 1.415(b)-1(c)(2) provides that if 417(e)(3) does apply to the form of benefit, then the actuarially equivalent straight life benefit is the greatest of:

- The annual amount of a straight life annuity beginning on the same date as the form of benefit actually being paid and which has the same actuarial present value as the benefit being paid, computed using the interest rate and mortality table (or tabular factor) specified by the plan;
 - The annual amount of a straight life annuity beginning on the same date as the form of benefit actually being paid and which has the same actuarial present value as the benefit being paid, computed using a 5.5% interest rate and the appropriate mortality table from Treasury Regulation § 1.417(e)-1(d)(2) for that starting date;
- or

- The annual amount of a straight life annuity beginning on the same date as the form of benefit actually being paid and which has the same actuarial present value as the benefit being paid, computed using the interest rate specified in Treasury Regulation § 1.417(e)-1(d)(3) and the appropriate mortality table from Treasury Regulation § 1.417(e)-1(d)(2), divided by 1.05.

Code Section 417(e)(3) does not apply to straight-life annuities or qualified joint and survivor annuities. If 417(e)(3) does not apply to the form of benefit, then the actuarially equivalent straight life benefit is the greater of:

- The annual amount of the straight life annuity payable under the plan, if any, starting on the same date as the form of benefit actually being paid; or
- The annual amount of a straight life annuity beginning on the same date as the form of benefit actually being paid and which has the same actuarial present value as the benefit being paid, computed using a 5% interest rate and the appropriate mortality table from Treasury Regulation § 1.417(e)-1(d)(2) for that starting date.

2. QJSA Benefits

No adjustment is required for the actuarial value of a qualified joint and survivor annuity ("QJSA") (a 50%-100% joint and survivor annuity with the spouse as designated beneficiary) that is fully or partially subsidized. See Treas. Reg. § 1.415(b)-1(c)(4).

G. COST-OF-LIVING ADJUSTMENT OF CODE SECTION 415(b) LIMITS

Automatic benefit increases (e.g., cost of living adjustments) to a member's benefits are permitted under Code Section 415(d). However, unless the cost of living adjustment meets the requirements of Treasury Regulation § 1.415(b)-1(c)(5), the value of the future cost of living adjustments must be included in converting the value of the total benefit to a single life annuity. That is, the value of all future cost of living increases must be annuitized over the recipient's life expectancy for 415(b) purposes. This method is more likely to result in violations of the limit than the method provided for COLAs which meet the requirements of Treasury Regulation § 1.415(b)-1(c)(5). That method essentially permits annual testing of the benefit, as increased by the COLA that year, against the 415(b) limit, as increased by 415(d) for that year.

Cost of living adjustments to which no adjustment is required for purposes of 415(b) testing are described as automatic, periodic adjustments applied in the following situations:

- A benefit paid in a form to which 417(e)(3) does not apply (that is, an annuity form of benefit is covered by these new rules);
- A benefit that satisfies 415(b) without regard to the COLA; and

- The plan provides that the benefit payable in any year will not exceed the 415(b) limit applicable at the annuity starting date, as increased annually pursuant to Code Section 415(d).

If the cost of living (or other post-retirement adjustment) is not automatic but rather is ad hoc, then the above is not available and benefits must be retested. Under the Final Regulations, automatic, periodic increases include annual increases according to a "specified percentage or objective index" or automatic increases to "share favorable investment returns on plan assets." Treas. Reg. § 1.415(b)-1(c)(5)(ii).

For purposes of the 415 VCP filing, SDCERS has agreed that for retrospective testing, all fixed COLAs will be considered as part of the annual benefit for 415 testing purposes, included in the conversion to a single life annuity, and tested against the full 415(b) limit in accordance with Cheiron testing protocols. See Exhibit A (revised). Prospectively, SDCERS will test the annual benefit and COLA against the 415(b) limit for that year as permitted by the Final Regulations. See Exhibit B; see SDMC §24.1004 (*amendment pending*).

H. CONSIDERATION OF AN ALTERNATE PAYEE'S BENEFITS FOR TESTING PURPOSES

Benefits payable to an alternate payee under a qualified domestic relations order are treated as part of the member's benefit for purposes of applying the benefit limits under Code Section 415. IRS Notice 87-21, Q&A-20; see also Announcement 95-99, Q&A-17.

I. TESTING OF THE SURVIVOR PORTION OF A BENEFIT

The rules which apply to a member's benefit also apply to a survivor's benefit. Under Code Section 415(b)(1), the annual benefit may not exceed the applicable dollar limit (\$170,000 for 2005). The Code defines "annual benefit" as "a benefit payable annually in the form of a straight life annuity (with no ancillary benefits) under a plan to which employees do not contribute and under which no rollover contributions ... are made." Code Section 415(b)(2)(A) (*emphasis added*). If a benefit under the plan is payable in any form other than this form,

the determinations as to whether the [415(b)] limitation ... has been satisfied shall be made, in accordance with regulations prescribed by the Secretary, by adjusting such benefit so that it is the equivalent to the benefit described in subparagraph (A). For purposes of this subparagraph, any ancillary benefit which is not directly related to retirement income benefits shall not be taken into account; and that portion of any joint and survivor annuity which constitutes a qualified joint and survivor annuity (as defined in section 417) shall not be taken into account.

Code Section 415(b)(2)(B).

Thus, the benefit that is subject to testing is a straight life annuity, and any other benefit under a plan which is payable in a form other than a straight life annuity (other than a qualified joint and survivor annuity) must be converted to a straight life annuity in order to pass 415(b) testing. In essence, even if a benefit actually being paid is not a straight life annuity, it still

should have been converted to a straight life annuity and tested under Code Section 415(b). Thus, upon the death of the retiree, there would be no need for a "conversion" of the survivor's benefit or a change to the existing 415(b) limit as applied to the retiree's benefit. Rather, upon the death of a retiree, the survivor's benefit continues to be tested against the retiree's benefit limit. (This would also be true of a qualified joint and survivor annuity, even though it is not converted to a straight life annuity for testing purposes, because such benefit is exempted from the conversion requirement.)

J. AGGREGATION OF TOTAL SDCERS BENEFITS FOR TESTING PURPOSES

Under a multiple employer plan, two (2) or more employers that are not part of a related group participate in the same plan. In applying the Code Section 415 limits to such multiple employer plans, Treas. Reg. § 1.415(a)-1(e) provides that for a participant in a multiple employer plan, benefits or contributions under the plan attributable to such participant from all of the employers maintaining the plan and compensation from all the participating employers must be taken into account. Generally, if the employers had maintained separate plans this rule would not apply, and the Code Section 415 limits would be separately determined for each employer because they are not part of a related group.

IV.

APPLICATION OF CODE SECTION 415(b) TO SDCERS AND RECOMMENDATIONS

The purpose of this Section of this Compliance Strategy Report is to relate the requirements of Code Section 415(b) as outlined in the previous Section to SDCERS.

A. PLAN DOCUMENT PROVISIONS

SDMC § 24.1004(h) (*per pending amendment*) provides that employee contributions to, and benefits from, SDCERS must comply with the Code Section 415 limitations on contributions and benefits. The provision further confirms the fiscal year as the testing year retrospectively, and the calendar year as the limitation year beginning on January 1, 2008. SDMC § 24.1004(h) permits SDCERS to modify contributions as necessary to ensure compliance with Code Section 415.

B. OPERATIONAL COMPLIANCE

1. Definition of the Annual Benefit for 415(b) Testing

Under Code Section 415(b), the benefit that is subject to testing is the benefit payable annually in the form of a straight life annuity ("SLA") with no ancillary benefits to which employees do not contribute and no rollover contributions are made. Code Section 415(b)(2)(A).

a. Straight Life Annuity

The benefit that will be tested is the SLA plus the value of the DROP benefit (if applicable) on a straight life basis.

For purposes of calculating the SLA, the value of any subsidy provided as part of a qualified joint and survivor annuity was included only when the beneficiary was other than a qualified spouse. We understand that using the SDCERS "maximum benefit" would generally accomplish this purpose.

b. Post-Retirement Increases

SDCERS members receive two post-retirement adjustments: a fixed COLA and a 13th Check. Certain groups receive additional adjustments: a Supplemental COLA and benefit increases under the Corbett settlement. The protocols in Exhibit A treat the fixed COLA as part of the annual benefit for retrospective testing purposes. The protocols in Exhibit B allow benefits to increase as 415(b) limits increase. With respect to the Supplemental COLA, 13th Check and Corbett Settlement, these benefits will also be treated as part of the annual benefit for both prospective and retrospective testing. However, the value of the post-retirement \$2000 death benefit is not included for 415(b) testing. Treas. Reg. § 1.415-3(a)(2)(i)(B).

▪ **Fixed COLA**

As indicated in Exhibit A, retrospectively, the 415(b) limit is adjusted for age and the Fixed COLA in order to identify the initial group which requires further testing. From there, the Fixed COLA will be included with the benefit for purposes of testing those who fail the initial screen. Prospectively, SDCERS will test the benefit and Fixed COLA annually against the 415(b) limit as adjusted by Code Section 415(d), in accordance with the Final Regulations.

▪ **13th Check**

In our various meetings, the question has arisen how to treat the 13th Check for testing purposes because under the Municipal Code, the 13th Check is treated as a contingent benefit. In order to respond to the question, we considered the history of the 13th Check. From 1/1/95 to now, in all but two years the 13th check was paid in full. In 2003 no 13th Check was paid and in another year over 99% of the 13th Check was paid. Based upon this history, it was decided that for 415(b) testing purposes, the 13th Check will be treated as an additional annual benefit. (Note: This is consistent with the treatment described in the Rollover Compliance Report and VCP Filing.)

▪ **Supplemental COLA**

For 415(b) testing purposes, the supplemental COLA is already treated as part of the annual benefit. This benefit is referred to in the testing chart as the "Star COLA."

▪ **Corbett Settlement Amounts**

For purposes of 415(b) testing, the Corbett settlement amount will be treated as part of the annual benefit.

The Corbett-covered group is a closed group.

▪ **Andrecht Settlement Amounts**

The Andrecht Settlement amounts were included in the calculation of the annual benefit provided by SDCERS. Therefore, no additional adjustment is required for this settlement (in contrast to the Corbett Settlement, which is a post-retirement adjustment).

c. Factors used in Calculating Actuarial Equivalents

Where necessary to calculate actuarial equivalents, the applicable mortality assumptions of GAM 83 through December 31, 2002, and thereafter GAR 94, pursuant to Rev. Rul. 2001-62, 2001-2 C.B. 632, were used. An eight percent (8%) interest assumption was used pursuant to SDMC § 24.0902 and Proposed Board Rule 8.41. However, a 5% interest rate was applied to post-retirement adjustments to the maximum dollar limit where benefits begin after the member reaches age 65.

Upon implementation of the Final Regulations, the mortality and interest assumptions for 417(e)(3) and non-417(e)(3) benefits set forth above in III.F.1. will be used.

d. Exclusion of Recipients of Ancillary Benefits

It has been determined that individuals who are receiving benefit payments that are not retirement benefits will be excluded from testing. Therefore, SDCERS will not test pre-retirement disability benefits (to the extent not in excess of the qualified disability benefit) or pre-retirement death benefits.

For the pre-retirement disability benefits, SDCERS will still have to apply the 100% of compensation screen. In addition, for the combined pre-retirement disability benefit and the pre-retirement death benefit, SDCERS will apply an incidental benefit test, the 25% of cost test. This will be in addition to, and separate from, the 415 limits.

2. TAMRA Election

SDMC § 24.1010(b) (*prior to pending amendment*) purports to make the TAMRA election for SDCERS benefits. However, the pending amendment to SDMC § 24.1004 would remove the language referencing the TAMRA election, as it is not clear that the requirements of the election were satisfied.

3. Age Adjustments Made in 415(b) Testing

a. Benefits After Age 65

For all members whose retirement benefit begins after age 65, the Dollar Limit was appropriately adjusted, as described in Exhibit A with respect to retrospective testing and Exhibit B with respect to prospective testing.

b. Benefits Before Age 62 – Other than Qualified Participants

For all members other than Qualified Participants whose retirement benefit begins before age 62, the Dollar Limit was appropriately adjusted, as described in Exhibit A with respect to retrospective testing and Exhibit B with respect to prospective testing.

c. Definition of Qualified Participants

As discussed above, the reduction in the dollar limitation for benefits which begin before age 62 does not apply to Qualified Participants. It is important to keep in mind that the group of public safety employees who may take advantage of this exception is not necessarily consistent with SDCERS' public safety member classification. For example, since EMTs were moved into the fire department several years ago, they could be included as a Qualified Participant (if they meet the service requirements). However, lifeguards were moved into the fire department fewer than 15 years ago; therefore, they do not clearly fall within the exception.

We note that the Final Regulations provide further guidance as to the public safety employees who may take advantage of the exception. Following is a suggested checklist for identifying Qualified Participants:

- Is the member credited in SDCERS with at least 15 years of service as an employee of any police department or fire department of the employer? If no, then apply pre-age 62 screen. If yes, proceed to next question. Note: The 15 years must be with an SDCERS employer, not via reciprocity.¹
- Was the member a full-time employee of any police department or the fire department for all of those 15 years of service? If no, then apply pre-age 62 screen. If yes, do not apply pre-age 62 reduction. Count a person as a full-time employee of the department even if they are not a public safety officer. For example, if a person was a secretary in the fire department, they are a Qualified Participant. Service with the departments should be counted, including all periods of service, e.g., count such service that occurred before termination and reemployment. For example, if a member worked on probation for his first six months and then purchased that time, it should be included. A second example is a person who worked for one of the departments for three years, then left and took a refund. He then returned to the department and purchased those three years. They should be included.

SDCERS staff has asked whether this exception for public safety officers requires that all fifteen (15) years of service be with the same department, or whether the service might be spread among two or more departments. In addition, SDCERS staff has asked whether police and military service can be combined to meet the 15-year requirement. The language of the Code is ambiguous on this point. However, an example in the Final Regulations makes it clear that a combination of police department and military service can be used to satisfy the 15 year

¹ If the City plan, the Airport plan, and the Port plan are considered as separate plans, the Proposed Regulations may not permit combining service.

requirement. Given this, we think it is reasonable to take the position that any combination of police department and/or fire department service (that otherwise qualifies) may also be used to meet the 15 year requirement. We therefore are comfortable with the testing being done using the combination of all San Diego police and fire department service and military service.

Park Rangers, who are not in the police department, but who exercise police powers in the City parks will not be treated as qualified participants, as agreed during the VCP process.

d. Exclusion of Pre-Age 62 Reduction for Disability or Death Benefits

The pre-age 62 reduction would not be applied to a SDCERS disability benefit or to a death benefit.

4. 10-Year Adjustment

SDCERS must identify those retirees who have fewer than ten (10) years of service with SDCERS, exclusive of reciprocity and exclusive of service purchases. Those retirees would have a reduced 415(b) test amount – for example, if the retiree only had five (5) years of service with SDCERS (exclusive of reciprocity and service purchases), the retiree's age-adjusted limit would be 50% of the age-adjusted limit. The limit can never be lower than 10% of the otherwise applicable limit. We realize this could create failures because of several design elements (i.e., the Port and Airport Plans have a five year vesting schedule, reciprocity provisions that allow for crediting service in other plans, a pre-1992 group who had less than 10 years of service but were vested as a mandatory retirement age group, and the SPSP "5+5" group). These adjustments are described in Exhibit A with respect to retrospective testing and Exhibit B with respect to prospective testing.

C. AMOUNTS EXCLUDED FROM TESTING

Following is a discussion of the elements that have been considered for exclusion in the screening and testing process.

1. After-Tax Employee Contributions

For 415(b) testing purposes, the portion of the annual benefit that is attributable to after-tax employee contributions may be "subtracted" from the annual benefit. In order to perform this calculation, SDCERS would have to be able to identify mandatory employee contributions that were made prior to the adoption of the pick-up and any voluntary post-tax contributions (including after-tax contributions for service purchases). However, based upon the changes made by the PPA with regard to service purchases and the difficulty in performing 415(c) testing, we ultimately recommend that in the testing protocol the benefit attributable to after-tax employee contributions not be excluded from 415(b) testing, which would be consistent with Code Section 415(n) testing.

a. Mandatory Employee Contributions

SDCERS implemented a pick-up of mandatory contributions in 1987² for all contributions made by the employer. Prior to that time mandatory employee contributions were made on an after-tax basis; therefore, under the IRS regulations the benefit attributable to those mandatory contributions would be excludible from 415(b) testing. However, if those mandatory contributions exceed the 415(c) limits, the benefit attributable to the excess contribution would not be excludible. These pre-87 contributions will only be "backed out" from the 415(b) testing in cases where a failure has been identified in the testing group under the prospective methodology. The initial screen will leave them in.

b. Voluntary USERRA Contributions

It is our understanding that USERRA contributions are subtracted from any differential pay for the member. However, if the member did not receive differential pay, the member would be given the opportunity to pay those contributions on an after-tax basis. Therefore, SDCERS would be permitted to exclude the benefit attributable to the post-tax USERRA contributions from 415(b) testing, if the post-tax USERRA contributions would not have exceeded the 415(c) limits in the year of service.

c. DROP Contributions

SDMC § 24.1404(c)(4) provides that DROP contributions are made pursuant to a 414(h) pick-up. Therefore, the benefit attributable to these contributions would be included in 415(b) testing.

d. Voluntary Contributions for Permissive Service Credit Purchases; Missed Contributions

As noted above, the amount contributed for permissive service credit may either be tested under a modified 415(c) or 415(b) test. SDCERS will use the modified 415(b) test.

When SDCERS has determined that contributions have not been remitted for a period of service, the member is "billed" for these contributions as a pre-condition for receiving credit for that period of service. If those missed contributions are paid by the member with after-tax dollars, those contributions would be tested under Code Section 415(n) using the modified 415(b) test.

As a result of the PPA, all SDCERS service purchases would be considered to be permissive service credit purchases. As a result, those service purchases will be tested under the modified 415(b) testing of Code Section 415(n).

e. Proposed Correction Approach

The proposed correction approach for retrospective testing does follow 415(b) testing with respect to after-tax contributions made for permissive service purchases under Code Section

² This date was provided by staff on 12/7/2005.

415(n). See Exhibit A. The expanded testing of the pre-1995 Group will consider mandatory after-tax employee contributions (pre-pick-up).

Starting with January 1, 2007, and on a prospective basis, 415(n) testing will be applied for all permissive service purchases.

We also recommend, as a going-forward matter, that SDCERS keep a record of the type of service purchased and the source of the purchase. This will be done by reprogramming PensionGold (the SDCERS operating system).

PensionGold currently has fields with drop down selections that are used to identify the sources of money received for the payment of Purchase Service Contracts:

Payment Type Choices:

401k Transfer
Balance Adjustment
Cashless Transfer³
Lump Sum Payment
Manual
Rollover
SPSP Transfer
Transmittal

If the Rollover option is selected as the Payment Type, the "Rollover information" section is enabled. This section has a "Type" field with the following selection options:

401(k)
403(b)
457
Individual Retirement Account
Other Qualified Plan

Other fields in the Rollover information section include:

Acct. Name
Acct. Number
Acct. Holder

Each Payment received is identified in the system as "Pre or Post tax," as well as tied directly to a specific contract which identifies the service purchase type.

To provide for accurate prospective 415(n) testing, we recommend that an additional payment type be identified as 457(b) or 403(b) direct transfer to identify those situation where permissive service credit is being purchased. We also recommend that the specific type of

³ This type of transfer is addressed in a separate VCP filing and Report.

service being purchased be identified so that it can be determined that an appropriate source of funding was used.

2. Rollovers

The amount of the annual benefit that is attributable to rollovers may be excluded from 415(b) testing. As noted above, the benefit attributable to a rollover must be calculated in a manner permitted by the IRS. The properly calculated benefit attributable to the rollover could be "subtracted" from the annual benefit for testing purposes. Appropriate conversion factors for rollover purchases will be utilized.

3. Transfers from a Qualified Plan

With regard to transfers from a qualified defined contribution plan, the amount attributable to the transfer would be excludible from 415(b) testing using IRS prescribed factors. However, if there is a transfer from another defined benefit plan where aggregation is required (because, for example, the plans are maintained by the same employer or related employers), then the total benefit would be tested under 415(b). If the transfer is not from a defined benefit plan where aggregation is required, then the benefit attributable to the transferred amount is treated as if provided as an annuity from a separate plan which must be aggregated with the transferor plan.

4. Transfers from a 403(b) or 457(b) Plan

Amounts received in a transfer from a 457(b) or 403(b) plan are treated in the same manner as a rollover, as discussed above.

5. Purchase of Service Chart

The following chart identifies the various purchases that may be made under the Municipal Code⁴ and our assessment of whether they would appropriately be categorized as permissive service credit – qualified or non-qualified – and the types of contributions that could be used for the purchase. For the category "permissive service," we are assuming that SDCERS assures that there is no double-counting of service and only one year of credit may be received for any 12 month period. For the category "sources" we are referring to whether all types of employee contributions can be made for the purchase – after-tax contributions under 415(n), rollovers, plan-to-plan transfers from a DC qualified plan, and plan-to-plan transfers from a 457(b) or 403(b) plan.

SDMC § /Type	Permissive Service	Qualified or Nonqualified	Sources	Treatment for 415(b) Purposes
Missed Contributions	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS

⁴ Board Rules 10.00-10.40 describe Board policy with respect to the purchases that are set forth in the Municipal Code.

SDMC § /Type	Permissive Service	Qualified or Nonqualified	Sources	Treatment for 415(b) Purposes
				factors; use modified 415(b) testing under 415(n).
24.1301 – LTD	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1302 – Probation. Employee contributions only	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1303 – City Service	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1303 – 1981 Plan – waiting period	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1304 – Part-time, hourly pre 1/2/97	Yes (no double counting)	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1305 – Reinstatement – pre 1/2/97	Yes (no double counting) 415(k) Service	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under

SDMC § /Type	Permissive Service	Qualified or Nonqualified	Sources	Treatment for 415(b) Purposes
				415(n).
24.1306 – Repayment of refunds – contributions plus interest	Yes 415(k) Service	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1307(a) – Approved leave (one year) by payment of "employee cost" for leaves that begin before 2/1/97	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1307(b) – Approved leave (more than one year) by payment of employee and employer cost for leaves that begin before 2/1/97.	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1307(c) – After 1/1/97, LTD, FMLA, leaves without pay.	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1308 – Field of Membership	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).
24.1309 – Military Service: USERRA service (Per SDCERS, this only covers USERRA service.)	Yes	Qualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n). Note: Electing

SDMC § /Type	Permissive Service	Qualified or Nonqualified	Sources	Treatment for 415(b) Purposes
				this for convenience could be treated separately from all other service.
24.1312 – 5 year purchase – No period of service identified	Yes	Nonqualified	All	Back out benefit attributable to rollovers, DC and 457(b)/403(b) transfers, based on IRS factors; use modified 415(b) testing under 415(n).

6. 401(h) Amounts

Payments made from the 401(h) account do not count toward the Code Section 415(b) limit. Treas. Reg. § 1.415-3(d)(2)(ii). However, Code Section 415(l) provides that contributions allocated in an "individual medical account" shall be treated as an annual addition to a defined contribution plan, but are only subject to the 415(c) dollar limit (not the compensation limit).

However, it is our understanding there are currently no SDCERS reserves left to pay this 401(h) benefit. Furthermore, the pending amendments to SDMC § 24.1203 will eliminate the 401(h) account entirely. Consequently, retiree medical is either paid from other sources or not paid at all.

7. Aggregation of Payments to Alternate Payees

For purposes of 415(b) testing, SDCERS must aggregate payments to the member with any payments to alternate payees under the community property laws, including payments made pursuant to child support and spousal support orders. PensionGold was modified as of January 1, 2003, so that all payments made with respect to a member are "associated" with the member. In addition to payments to alternate payees, the "association" also includes deductions from the member's benefit such as an IRS levy. In order to have accurate 415(b) testing both prospectively and retrospectively, all "disassociated" payments must be associated with the appropriate SDCERS member. That "association" was done only with respect to the "initial failure" group. (Please note that the initial group screen did include a 20% load for other than member payments.) Therefore, the total population has not been "associated." The initial failures were "associated." Prospectively, SDCERS must "associate" all members when tested.

D. CLASSIFICATION OF EMPLOYER CONTRIBUTIONS

SDCERS staff has indicated that the SDCERS system does not track employer contributions as to what portion represents an offset contribution and what portion represents a pick-up (as Code Section 414(h)(2) defines the term) contribution. The result is that the benefit attributable to any employer contribution (regular, offset, and pick-up) will be subject to 415(b) testing. This is the appropriate result under Code Section 415(b).

In order to enhance future compliance efforts, we strongly recommend that SDCERS and the plan sponsors use the term pick-up in the manner provided for in Code Section 414(h)(2).

E. QUALIFIED EXCESS BENEFIT ARRANGEMENT ("QEBA")

Ordinance No. O-18390, adopted on March 19, 2001, authorizes the establishment of a qualified governmental excess benefit arrangement (known as the Preservation of Benefit Plan) by SDCERS to pay benefits in excess of the Code Section 415 limitations. SDMC §§ 24.1601 to 24.1608 provide basic provisions regarding the establishment of a QEBA. SDCERS has established the QEBA through a separate plan/trust document containing detailed provisions regarding the plan. (Separate documents have been drafted for each plan sponsor.) This is covered in a separate report, and has been submitted to the IRS in a PLR request.

F. CONCLUSIONS REGARDING RETROSPECTIVE 415(b) TESTING

1. Definition of Tested Group – Post-1994 Group

In its original VCP, SDCERS, working with Ice Miller and Cheiron, developed a protocol for determining whether there have been 415(b) violations in prior years with respect to the group that retired on and after 1/1/95. This protocol began by identifying the entire population of 6652 retirees. That total was initially reduced by disabilitants who were not receiving a service retirement. After removal of records reflecting deceased or suspended participants, this remaining group consisted was then tested under 415(b). See Exhibit A for the assumptions that were used in testing this group. This date (1/1/95) was selected for the following reasons:

From a Benefit Standpoint

1. The DROP benefit is one of the potential "causes" of 415(b) failures. The DROP benefit was initiated after January 1, 1995 (April 1997). Therefore, all DROP recipients are being tested under the new protocol.
2. Using the 1/1/95 date captures all of the Corbett and Andrecht settlement amounts.
3. Service purchases are another potential cause of 415(b) failures. The largest service purchase programs were initiated after January 1, 1995.
4. Multiplier increases are another potential cause of 415(b) failures. The most recent multiplier increases took effect in 1997 and 2002.

From the Code Standpoint

1. The grandfather provision enacted with Code Section 415(m) applies to benefits prior to January 1, 1995.
2. The grandfather provision enacted with Code Section 415(n) applies to any service purchase in effect on August 5, 1997.

2. Additional Testing Group – Pre-1995 Group

As a result of discussions during the VCP process, Cheiron has now developed a testing protocol for those SDCERS members who retired pre-1995. This is now reflected in Exhibit A.

3. Payments of Excess Benefits from the Preservation of Benefit Plan

After completion of the testing described in Exhibit A or B, the excess benefits of the affected individuals will be paid by the plan sponsors pursuant to San Diego Municipal Ordinance O-18930, March 19, 2001 (the "Ordinance"), which establishes the Preservation of Benefit Plan ("POB Plan") as a qualified governmental excess benefit arrangement within the meaning of Code Section 415(m).

SDCERS is pursuing a private letter ruling in order for the IRS to approve the POB Plan as a qualified excess benefit arrangement under Code Section 415(m) and to approve a rabbi trust for the POB Plan under Rev. Proc. 92-64, 1992-33 I.R.B. 11. In the interim, SDCERS has determined that it will seek direct payment from the plan sponsors of the excess benefits.

Once the POB is in place, SDCERS staff will use a "modified cliff approach." Under this approach, a retiree would be paid his/her full monthly benefit from the qualified SDCERS plan until the "modified cliff" date is identified. The modified cliff is determined by first identifying the amount of 415(b) excess for the year and determining how many months of benefits would have to be paid from the POB. Then, that amount is further adjusted to make sure that the member is receiving a portion of his/her benefit from the qualified plan in order that deductions from that benefit can continue.

A very simplified example demonstrates this approach: assume that a retiree is receiving a straight life annuity and has an excess benefit that equals 1/12 of his annual benefit. That would mean that he would receive 11 months of benefit from the qualified plan and one month of benefits from the POB. But if the retiree has a deduction from his benefit that equals 1/2 of his monthly benefit, then he would receive 1/2 of his monthly benefit from the qualified plan in month 11 and month 12 (in order to have dollars available for the deductions to take effect) and he would receive 1/2 of this monthly benefit from the POB in month 11 and month 12.

G. CONCLUSIONS REGARDING PROSPECTIVE TESTING

1. Definition of Tested Group

All members who retire on and after January 1, 2008, will be tested in accordance with the 415(b) protocols being developed by Cheiron, a draft of which is set forth in Exhibit B. To the extent information is available on pre-pick-up employee contributions, the after-tax contributions will be backed out for 415(b) testing.

2. "Screens" Used in Testing

Linea will build screens based upon PensionGold (the software used by SDCERS) fields.

3. Payments of Excess Benefits from POB Plan

Payments of excess benefits that result from prospective screening will be accomplished as stated above.

V.

OVERVIEW OF LAW WITH RESPECT TO DEFINED CONTRIBUTION LIMITS

Annual additions made or deemed to be made to a defined contribution plan are subject to the limits under Code Section 415(c). This test is applied on an annual basis and it is applicable to those governmental defined benefit plans that provide for after-tax employee contributions or certain purchases of service. Thus, after-tax employee contributions and after-tax payments for purchases of service are tested under the Code Section 415(c) limits, in the same manner as contributions to a separate defined contribution plan. Treas. Reg. § 1.415(c)-1(a)(2)(ii).

A. THE DOLLAR LIMIT ON "ANNUAL ADDITIONS"

1. Current Limits

The defined contribution limits contain both a Dollar Limit and a percentage of compensation limit ("Percentage Limit"). EGTRRA increased the Dollar Limit for defined contribution plans from \$35,000 to \$40,000 for plan years beginning in 2002. This \$40,000 dollar limit is subject to more rapid indexing, with annual cost of living adjustments in \$1,000 increments instead of the current \$5,000 increments.

Under prior law, the Percentage Limit did not permit contributions to exceed 25% of compensation. However, EGTRRA amended this limit for plan years beginning in 2002, and permitted annual additions to defined contribution plans of up to 100% of the participant's compensation, or \$40,000 (as adjusted for inflation), whichever is less. For purposes of this definition, "compensation" includes both elective deferrals to a 401(k) plan or 403(b) plan and amounts contributed or deferred by the employer at the employee's election under a cafeteria plan, qualified transportation fringe benefit plan, or a 457 deferred compensation plan.

Certain contributions are not included in the definition of "annual additions" that are tested under Code Section 415(c). Mandatory employee contributions that are picked-up by an employer, or service purchase payments paid for by pre-tax (picked up) installment payments, simplify Code Section 415 testing because mandatory contributions or service purchase installment payments picked up pursuant to Code Section 414(h)(2) are not required to be treated as contributions to a separate defined contribution plan. However, the resulting benefit must be tested under Code Section 415(b) upon separation.

Treasury Regulation § 1.415(c)-1(b)(3) provides that rollover contributions are not treated as employee contributions and thus are not "annual additions." Additional exceptions from the 415(c) limits include USERRA contributions and restoration of forfeited benefits, which are discussed below.

2. The Limitation Year

The limitation year for 415(c) testing purposes will be determined (see pages 2-3) in the same fashion as for 415(b) testing purposes.

The Final Regulations for Code Section 415(c) state the following with respect to the impact of a change in the 415(c) limits in the case of a plan that has a Limitation Year that is not the calendar year:

The adjusted dollar limitation applicable to defined contribution plans is effective as of January 1 of each calendar year and applies with respect to limitation years ending with or within that calendar year. Annual additions for a limitation year cannot exceed the currently applicable dollar limitation (as in effect before the January 1 adjustment) prior to January 1. However, after a January 1 adjustment is made, annual additions for the entire limitation year are permitted to reflect the dollar limitation as adjusted on January 1.

Treas. Reg. § 1.415(d)-1(b)(2)(iii). Applying this regulation to the SDCERS situation, we would come up with the following scenarios:

- If a member wished to contribute after-tax dollars during the time period July 1, 2006 through December 31, 2006, the member would be limited to a contribution of \$44,000 (assuming that his compensation in that Limitation/Fiscal Year was equal to or greater than \$44,000).
- If a member contributed an amount from \$1 through \$44,000 prior to January 1, 2007, the proposed regulation would permit the member to contribute the difference between the amount contributed prior to January 1 and \$45,000 on and after January 1, 2007, through June 30, 2007. For example, if a member contributed \$44,000 prior to January 1, 2007, on and after January 1, 2007, and through June 30, 2007, the member could contribute \$1,000, under the regulation.

3. Code Section 415(k)(3): Repayment of Cash-Outs

Section 415(k)(3) provides that any repayment of contributions (including interest) will not be taken into account for Code Section 415 purposes if the repayment is to a governmental plan with respect to an amount previously refunded on a forfeiture of service credit under that plan or any other governmental plan maintained by the state or any local governmental employer within the same state.

4. Testing of USERRA Service Purchases

Special Code Section 415 testing rules apply to the payment of contributions covered by the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"). Pursuant to Code Section 414(u)(1)(A) and (B), payments made in the applicable USERRA "make-up" period shall not be included in the Code Section 415(c) test for the limitation year in which the payment is made, and shall instead be allocated to the limitation year for which it relates. This rule exists to address a situation in which make up contributions permitted by

USERRA for multiple years, in addition to the regular on-going contributions, were all made at once upon the return of a plan member on USERRA-approved leave. If the Code Section 415(c) limits were applied to the sum of these contributions, then a member might exceed the applicable limit.

In SDCERS' case, generally in "real life," the employee is being paid differential pay while on military leave, so their regular deductions for contributions remain as is (on a pre-tax basis). For the few employees who do not receive sufficient pay throughout the period to remain current on contributions, they are given options on how to restore contributions (e.g., lump sum installments). This group may need to be moved to an Exception Management process.

5. Code Section 414(v)

Code Section 414(v) provides that an "applicable employer plan" may permit an eligible participant to make additional elective deferrals in any plan year subject to certain limits. An "applicable employer plan" includes a 401(a) plan, a 403(b) plan, a SEP or a SIMPLE IRA, and a 457(b) plan. An eligible participant means a participant in the plan who will attain age 50 in the plan year and who would otherwise be "capped" out by other Code limitations. These additional elective deferrals may not exceed the lesser of the "applicable dollar amount" (for 2006 and thereafter this amount is \$5,000) or the difference between the participant's compensation minus all other elective deferrals. For purposes of applying this limit, all 401(a) plans, 403(b) plans, SEPS and Simple IRAs of a single employer must be aggregated. Multiple 457(b) plans of a single employer must be aggregated, but are not aggregated with the other types of employer plans.

An additional elective deferral under Code Section 414(v) will not be subject to the otherwise applicable limitation under Code Section 401(a)(30), 402(h), 403(b), 408, 415(c), and 457(b) (determined without regard to 457(b)(3)).

Therefore, in determining whether an SDCERS member who makes an after-tax employee contribution is violating the 415(c) limits, the member's 415(c) limit is determined without regard to any additional elective deferral made under Code Section 414(v).

B. DEFINITION OF COMPENSATION

1. General Rule

Code Section 415(c)(3)(A) defines "participant's compensation" as "the compensation of the participant from the employer for the year." Code Section 415(c)(3)(D) includes as compensation elective deferrals under Code Section 402(g)(3) and amounts contributed by the employer at the election of the employee which are excluded from income under Code Sections 125, 132(f)(4), or 457.

Treas. Reg. § 1.415(c)-2(b) provides the following definition of compensation:

For purposes of applying the limitations of section 415, except as otherwise provided in this section, the term "compensation" means remuneration for services of the following types:

(1) The employee's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the employer maintaining the plan to the extent that the amounts are includible in gross income (or to the extent amounts would have been received and includible in gross income but for an election under section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b)). . . .

* * *

(3) Amounts described in sections 104(a)(3), 105(a), and 105(h), but only to the extent that these amounts are includible in the gross income of the employee.

(4) Amounts paid or reimbursed by the employer for moving expenses incurred by an employee, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the employee under section 217.

* * *

(7) Amounts that are includible in the gross income of an employee under the rules of section 409A or section 457(f)(1)(A) or because the amounts are constructively received by the employee.

Code Section 104(a)(1) excludes from gross income amounts received under workmen's compensation acts as compensation for personal injuries or sickness.

2. Safe Harbor Definitions

There are at least three safe harbor options available to a plan for purposes of defining compensation for Code Section 415(c):

- (1) Define compensation on a person by person basis, including all taxable income and certain items not included on Form W-2, imputed income items, etc. This approach has the advantage of producing the highest possible compensation amount for each individual, but is not administrable for a plan of any size. In order to take this approach, it would be necessary for SDCERS to determine the tax treatment of domestic partner health coverage and various other items.
- (2) Define compensation based on the number reported by the employer as gross income in Box 1 of each employee's Form W-2. This approach results in a lower number than method 1, but is much easier to administer.
- (3) Define compensation based on amounts subject to federal income tax withholding, as well as certain amounts that would be includible except for an election under a cafeteria plan, a qualified transportation fringe benefit, a 401(k) plan, a 403(b) plan, a simplified employee pension, a simple retirement account, or a 457(b) plan. This approach also results in a lower number than method 1, but

is generally easily available from the employer or payroll service provider and is therefore much easier to administer than an individualized approach.

3. Treatment of Workers Compensation

Plans often question how to treat workers compensation payments for purposes of the Code Section 415(c) definition of compensation. Generally, workers compensation payments are excluded from gross income, provided they are paid under a workers compensation statute, and therefore would not be includible as compensation under Code Section 415(c)(3). We believe this is true regardless of whether the employer is funding the payments directly or has paid for worker's compensation insurance, as in either case the amounts paid would (presumably) be paid pursuant to a worker's compensation statute.

There is a special rule under Code Section 415(c)(3)(C) which provides as follows:

(C) SPECIAL RULES FOR PERMANENT AND TOTAL DISABILITY. In the case of a participant in any defined contribution plan—

- (i) who is permanently and totally disabled (as defined in section 22(e)(3)),
- (ii) who is not a highly compensated employee (within the meaning of section 414(q)), and
- (iii) with respect to whom the employer elects, at such time and in such manner as the Secretary may prescribe, to have this subparagraph apply,

the term "participant's compensation" means the compensation the participant would have received for the year if the participant was paid at the rate of compensation paid immediately before becoming permanently and totally disabled. This subparagraph shall apply only if contributions made with respect to amounts treated as compensation under this subparagraph are nonforfeitable when made. If a defined contribution plan provides for the continuation of contributions on behalf of all participants described in clause (i) for a fixed or determinable period, this subparagraph shall be applied without regard to clauses (ii) and (iii).

Treasury Regulation § 1.415(b)-1(b)(2)(iv) and Treasury Regulation § 1.415(c)-1(a)(2)(ii)(B) provide that the voluntary and mandatory employee contributions (but not picked up contributions) under a defined benefit plan are treated as a separate defined contribution plan maintained by the employer, subject to the limitations on contributions of Code Section 415(c) and Treasury Regulation § 1.415(c)-1. Thus, while Code Section 415(c)(3)(C) specifies its applicability to defined contribution plans, it could be argued that these provisions would be applicable to that portion of a defined benefit plan that is to be treated as a defined contribution plan.

Treasury Regulation § 1.415(c)-2(g)(4) provides that, if certain conditions are satisfied, then "compensation" for a defined contribution plan participant who is permanently and totally disabled means "the compensation the participant would have received for the year if the

participant was paid at the rate of compensation paid immediately before becoming permanently and totally disabled, if such compensation is greater than the participant's compensation determined without regard to this paragraph." For this rule to apply, the following conditions must be satisfied:

- (1) Either the participant is not a highly compensated employee (as defined in section 414(q)) immediately before becoming disabled, or the plan provides for the continuation of contributions on behalf of all participants who are permanently and totally disabled for a fixed or determinable period;
- (2) The plan provides that the rule of this paragraph (g)(4) (treating certain amounts as compensation for a disabled participant) applies with respect to the participant; and
- (3) Contributions made with respect to amounts treated as compensation under this paragraph (g)(4) are nonforfeitable when made.

Treas. Reg. § 1.415(c)-2(g)(4)(ii).

This special rule provides that in the case of an individual with a total and permanent disability, Code Section 415(c) compensation would be deemed to be compensation at the rate the employee was being paid prior to the disability. This then leads to the question of how this provision is applied. Based on the Final Regulations, it appears that Code Section 415(c)(3)(C) is definitional for 415 compensation purposes, thereby creating a base for applying the 415(c) limit.

In SDCERS' case, the City has industrial leave paid under the active payroll, with the possibility the person will go to a different payroll (i.e., workers compensation). This may require that a person in this situation be moved to an exception management process.

C. SERVICE PURCHASES

In our earlier report, we noted that one of our primary areas of concern with regard to 415(c) testing was with respect to service purchases. A voluntary employee after-tax contribution is subject to 415(c) testing unless the more advantageous provisions of Code Section 415(n) apply. However, the PPA has made 415(n) much broader so that the more favorable limits would apply to all SDCERS service purchases, subject to 415(n) limits.

As noted in an earlier section of the report, if an employee makes a voluntary contribution for a service purchase, the voluntary contribution may be tested under more generous 415(c) limits or 415(b) limits. The 415(c) limits under 415(n) are as follows:

For purposes of Code Section 415(n) service purchases, only the dollar limit under Code Section 415(c) applies (\$40,000 (adjusted for inflation)) by treating all permissive service contributions as an annual addition under that limit.

D. ANALYSIS OF ALL CITY PLANS

Code Section 415(g) requires the aggregation of all plans of an employer for 415 testing purposes. Therefore, our other primary area of concern for 415 testing occurs with respect to the other defined contribution plans that are maintained by the City – the 401(k) plan and the SPSP. The City's 457(b) deferred compensation plan is not aggregated with SDCERS.

VI.

APPLICATION OF CODE SECTION 415(c) TO SDCERS AND RECOMMENDATIONS

A. PLAN DOCUMENT PROVISIONS

SDMC § 24.1004(h) (*per pending amendment*) provides that employee contributions to, and benefits from, SDCERS must comply with the Code Section 415 limitations on contributions and benefits. The provision further establishes the fiscal year as the testing year, retrospectively, and the calendar year, prospectively. The amendment would permit SDCERS to modify contributions as necessary to ensure compliance with Code Section 415.

B. TESTING OF "ANNUAL ADDITIONS"

1. Plan Aggregation

Prior to 1/1/06, SDCERS has not tested annual additions against the Code Section 415(c) limitations. The City administers three defined contribution-type plans: the 401(k), SPSP, and a 457(b) plan. The City tests elective deferrals to the 401(k) and 457(b) plans. The City does not conduct Code Section 415(c) testing for its 401(a) plans (401(k), SPSP, and SDCERS). The other City plans and SDCERS are subject to qualification failure if the 415(c) testing requirement is not satisfied and individuals are contributing in excess of the limitations to the plans in the aggregate. In order to address this qualification issue, SDCERS would have to coordinate with City to test for both the dollar and compensation limits under Code Section 415(c). In order to perform this test, SDCERS must select a definition of compensation that is permitted under the Code (see next section). The pre-tax (picked-up) contributions to SDCERS would not be used in the 415(c) testing.

If the after-tax contribution was made for a purchase of permissive service credit, Code Section 415(n) would apply and permit a higher level of contribution than under Code Section 415(c) or testing under 415(b).

The Airport and Port only offer a 457(b) plan; they do not provide a 401(k) or 401(a) plan. As a result, 415(c) testing for SDCERS purposes would not require aggregation with the Airport and the Port 457(b) plans.

2. Definition of Compensation

We discussed the three safe harbor definitions of compensation with SDCERS staff. Currently, none of the compensation fields provided by the City in Pension Gold represents any of the safe harbor definitions. SDCERS staff and the City have compared W-2 compensation

used by the City with "gross compensation" reported as Gross Salary in Pension Gold. SDCERS staff has determined that the compensation numbers that are currently provided to SDCERS by the plan sponsors do not comport with any of the three safe harbor definitions. Therefore, for future testing purposes, it was determined that SDCERS would ask the plan sponsors to provide the Medicare wages amount from the W-2 system as a reasonable proxy for the safe harbor that starts with taxable wages and then restores elective deferrals.

Finally, please note that all plans which must be aggregated for purposes of 415(c) testing must use the same definition of compensation for those purposes. Therefore, if the plan sponsors are using a different definition of compensation for purposes of their testing, SDCERS must collaborate with them to arrive at a consistent approach.

C. CONCLUSIONS REGARDING RETROSPECTIVE 415(c) TESTING

Given the 415(b) testing approach described in earlier sections of this Report, SDCERS is proposing not to do retrospective 415(c) testing for service purchases that fit within 415(n). This should be a reasonable approach considering the following factors:

- Since 1987, all mandatory employer contributions have been picked-up and thus would be subject to 415(b) testing.
- Since 1997, all service purchases made with after-tax employer dollars are subject to either modified 415(c) testing or modified 415(b) testing. SDCERS has elected 415(b) testing. The PPA has confirmed the availability of this methodology.
- Service purchases permitted as of August 5, 1997 are grandfathered and thus are not subject to 415(c) testing.
- For retrospective 415(b) testing, SDCERS is not backing out any after-tax employee contributions, except where information is available for mandatory post-tax contributions.
- Service purchases made via rollover and plan-to-plan transfer from the DC plans are not subject to 415(c) testing.
- Service purchases made by plan-to-plan transfers from the 457(b) plan are subject to regular 415(b) testing.

D. CONCLUSIONS REGARDING PROSPECTIVE 415(c) TESTING

Given the practical problems associated with 415(c) testing, SDCERS has determined to take the following prospective approach starting January 1, 2007.

1. Definition of Tested Group

The tested group will consist of all employees making after-tax contributions on and after January 1, 2007.

2. Testing of Service Purchases Made with After-Tax Employee Contributions

All service purchases made with after-tax employee contributions will be tested under the modified 415(b) testing under 415(n) if the service being purchased is permissive service, including qualified and nonqualified service, in accordance with the chart above. This means the benefit attributable to these contributions will not be tested under 415(c).

3. Testing of Other After-Tax Employee Contributions

SDCERS does not anticipate that any after-tax contributions would be received that did not qualify as contributions for the purchase of permissive service credit. Therefore, all would be tested under 2 above. However, SDCERS is retaining an "exception test" procedure for 415(c) in case SDCERS wishes to use the modified 415(c) testing in the future for service purchases or if other conditions arise which would require it (such as a change in the law).

4. USERRA Testing

In the case of USERRA contributions, the 415(c) limits that would be examined would be the limits in place with respect to the covered service – not necessarily the year of the payment.

5. Compensation Definition

The compensation definition that will be used in 415(c) testing (if it is necessary) has been stated in the proposed amendment to SDMC § 24.1004.

6. Testing Protocol

The testing protocol for this is set forth in Exhibit D.

7. Priority

One issue raised in this context is that of "priority." That is, it is important that a clear priority be established among the different plans as to what will be reduced first, second, etc. in the event that annual additions exceed the Code Section 415(c) limitation. This priority list should include not just the different San Diego defined contribution plans, but also the different types of contributions possible to each of those plans.

- First, attempt the correction through the 401(k) program. The amount of excess contributions would be distributed to the member.
- If the amount of 401(k) contributions for the year is not enough for the correction, then the next plan to consider would be SPSP. However, in order to preserve the plan's status as the Social Security replacement plan, the amount of contributions available to be refunded would be limited to the voluntary contributions.
- If the amount in the SPSP available for refund was insufficient to make the correction, then the correction would have to be made from SDCERS. This could affect the member's service purchase.

E. TESTING OF SERVICE PURCHASES – BY SOURCE

1. SDCERS Provisions

SDMC § 24.1310(a) provides that in order to purchase Creditable Service a member must pay an amount, including interest, determined by the Board before the effective date of retirement. This section goes on to provide as follows:

- (b) Subject to any limitations imposed by the Internal Revenue Code, such payments under section 24.1310(a) may be made by lump sum, installment payments, direct transfer to the Retirement System from any defined contribution plan maintained by the City of San Diego, or in such manner and at such time as the Board may by rule prescribe. Any sums paid by a Member under section 24.1310 are considered to be and administered as Member contributions.

SDMC § 24.1310(b). The Board has adopted rules under this section, which the Board has recently amended to read as follows:

Rule 10.50 Methods of Payment.

- (a) Subject to any limitations or conditions imposed by applicable tax laws and regulations, a member may pay for service credit by:

- (1) lump sum,
 - (2) installment payments through payroll deduction,
 - (3) direct transfer to the Retirement System from any tax qualified defined contribution plan maintained by the City, Airport Authority or Unified Port District,
 - (4) rollover or direct transfer of funds from an eligible retirement plan,
 - (5) direct in-service transfer from an IRC 457(b) compensation plan or an IRC 403(b) plan, subject to Board Rule 10.60 (subject to prior approval by the IRS); or
 - (6) any other source allowable under federal law.
- (b) The System will treat all amounts paid by members under this Division as member contributions.
- (c) A member must complete all payments to purchase service credit before his or her effective date of retirement, entry into DROP, or termination of employment (in the case of a deferred retirement).
- (d) If a member elects to make installment payments:

- (1) the member must agree to an installment contract with a payment plan that includes the purchase cost plus installment interest,
- (2) the payments must be made through payroll deduction,
- (3) the payments must be at least \$20 per pay period,
- (4) the System will charge installment interest to the member's individual account using the actuarial assumed interest rate in effect at the time the installment contract is executed, and
- (5) if making pre-tax payments, the member must complete the installment contract before he or she first becomes eligible to service retire, unless the member acknowledges in writing the negative consequences of failing to do so. (See form SDCERS uses for this. See Exhibit L.)

Board Rule 10.50.

The Board has adopted Rule 10.60 to read as follows:

Rule 10.60 In-Service Transfer of Funds from a 457 Defined Compensation Plan to Purchase Service Credit.

- (a) Purchase of Service Credit under General Five-Year Provision (Board Rule 10.10): A member may purchase service under Board Rule 10.10 (general five-year purchase) by an in-service plan-to-plan transfer from a 457(b) plan. No certification of corresponding service is required.
- (b) Purchase of "Service-Connected" Service Credit. A member may purchase service-connected service credit under Board Rule 10.00 by an in-service plan-to-plan transfer from a 457(b) plan. No certification of corresponding service is required.

With this new Rule 10.60 in place, transfers from the 457 plan will be accepted for service purchases as described in (a) and (b). See PLR 200550042.

The Board Rules also provides for the terms of installment contracts in Board Rule 10.70. Based upon these rules, it is clear that SDCERS has attempted to avail itself of all methods of service purchases.

2. Compliance Testing Chart

The following chart shows how the available sources of voluntary employee contributions for service purchases should be tested under either Code Section 415(c) or 415(n). (Refer to the earlier chart for a categorization of service purchases as permissive service and as qualified and non-qualified service.)

Voluntary Employee Contributions for Service Purchases	415(c) Testing or 415(n) Testing
In-service transfers from DC Plans (401(k), SPSP)	415(c) limits (including 415(n) modified limits) do not apply. Regular 415(b) limits should be applied at distribution.
Lump sum after-tax employee contributions and installment contracts for after-tax contributions if for non-permissive service or for nonqualified permissive service credit in excess of limits	415(c) limits apply (lesser of \$40,000 (adjusted) or 100% compensation in the year of purchase). These will be tested on an exception basis.
Lump sum after-tax employee contributions and installment contracts for after-tax contributions if for permissive service	415(n) limits apply. Therefore, purchase will be tested under modified 415(b) limits. However, SDCERS may prospectively implement modified 415(c) testing procedure.
Picked-up employee contributions for installment contracts Note: A favorable IRS private letter ruling is the mechanism for obtaining approval for a pick-up of employee contributions for a service purchase.	415(c) limits (including 415(n) modified limits) do not apply. Regular 415(b) limits should be applied at distribution.
Lump sum rollovers from eligible plans (401(a), 457(b), 403(b), 401(k), 403(a) and IRAs)	415(c) limits (including 415(n) modified limits) do not apply. Rollovers only after separation from service except IRAs.
Repayment of refunded contributions	Under 415(c)(3), 415(c) limits will not apply. 415(b) limits will apply at distribution.
Lump sum transfers from 457(b)/403(b) plans	Limited to permissive service credit and restoration of service. 415(c) limits will not apply. 415(b) limits will apply. <u>See</u> Rule 10.60.

It is our understanding from SDCERS staff that the vast majority of service purchases are made by plan-to-plan transfer from the Employers' plans. However, all of the other mechanisms are used to some extent, including after-tax payments.

F. TESTING OF USERRA SERVICE PURCHASES

SDMC § 24.1309 addresses purchase of retirement credit for service in the armed forces. The provision specifies that for purchases made pursuant to a leave due to military service, the payment is treated as an annual addition for the limitation year to which it relates. In order to provide appropriate treatment of USERRA service purchases, SDCERS will need to work with Employers to determine USERRA eligibility. The problem of accurate USERRA reporting may be limited to only a few SDCERS members because most SDCERS members who are called to

military service receive differential pay. It is the City's practice to deduct the member's contribution from the differential pay on a picked-up basis. As a result, most SDCERS members retiring from USERRA-covered service to employment do not need to make any contributions for the USERRA leave period.

CIRCULAR 230 DISCLOSURE

Except to the extent that this advice concerns the qualification of any qualified plan, to ensure compliance with recently-enacted U.S. Treasury Department Regulations, we are now required to advise you that, unless otherwise expressly indicated, any federal tax advice contained in this communication, including any attachments, is not intended or written by us to be used, and cannot be used, by anyone for the purpose of avoiding federal tax penalties that may be imposed by the federal government or for promoting, marketing, or recommending to another party any tax-related matters addressed herein.

INDEX OF EXHIBITS

- Exhibit A: Cheiron Report on Retrospective 415(b) Testing (Revised 8/16/07)
- Exhibit B: Cheiron Report on Prospective 415(b) Testing (Revised 03/07)
- Exhibit C: Linea Solutions 415(b) Operational Process Document
- Exhibit D: Linea Solutions 415(c) Operational Process Documents and Charts
- Exhibit E: Cheiron Determination of Accumulated Payments from SDCERS Over 415 Limits
- Exhibit F: Cheiron General Employee Limits
- Exhibit G: Cheiron Uniform/Safety Employee Limits

NOTE: EXHIBITS C-G WILL BE EDITED AND FINALIZED POST COMPLIANCE AGREEMENT.

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Exhibit A: Cheiron Proposed Procedures on Retrospective 415(b) Testing

San Diego City Employees Retirement System

Retroactive Testing of Internal Revenue Code Section 415(b) Maximum Allowable Defined Benefits Payable from a Qualified Trust

The following is a narrative summary of the procedure performed by Cheiron, Inc, the San Diego City Employees Retirement System's (SDCERS) Actuary in coordination with Ice Miller, LLP and SDCERS staff in performing retroactive testing of Internal Revenue Code (Code) Section 415(b) testing of defined benefits. In performing this testing Cheiron relied on the data provided by SDCERS and interpretations and guidance of Ice Miller LLP.

Procedure to test current retirees

The first step was to identify the testing population. We started with the database provided in performing our actuarial valuation of SDCERS as of July 1, 2006. These are the applied steps in defining the test population:

- SDCERS provided Cheiron with 6,652 retiree records. Each record included social security number, first, middle, and last name, benefit type, effective date, termination date, annuity, pension, cola and base amount.
- We then received the DROP account balances database.
- These records were matched to the data provided for the June 30, 2006 actuarial valuation and reconciled.
- For compliance we looked at all retirees based on the IRS response to the initial filing.
- We excluded all disabled retirees (pre-retirement) who have not attained normal retirement age from the testing population.
- We supplemented this data with any retirees since June 30, 2006 and through June 30, 2007, who were within 70% of the 415 limits at retirement.

With the eligible population subject to testing defined, we proceeded to define the total aggregate benefit payable at retirement from SDCERS. We tested this population in two phases, first by identifying those retirees who were within 85% of the limit and then this net group after receiving more detailed confirmation of benefit data. These steps included:

- Extracted from the database date of birth, total service credits, plan ID (general employee versus public safety), benefit type, standard benefit, cost of living adjustment (CPI with 2% cap, 13th check), benefit granted through subsequent litigation or grants [Corbett and Andrecht] and payment option.
- The DROP accounts information was provided for all retirees through June 30, 2007. For testing we converted the lump sum values of these accounts to annuities as additional benefits at retirement based on the appropriate assumptions for conversion of benefits to a single life annuity.

- The benefit is ultimately adjusted for the automatic COLA for testing; however, we initially adjusted the 415 dollar limit to identify our detailed test group.
- The 13th check while contingent on excess earnings has been fully granted in all but two years and was assumed to be a permanent benefit and subject to testing as if permanent.

With each of the component benefits identified we determined a potential failure group by making some general assumptions to identify potential test failures (participants in pay status receiving in excess of the appropriate 415 limit). With these adjustments a testing population was defined if the benefit was at least 85% of the calculated 415 age and COLA adjusted limit.

Before this test group was resubmitted to SDCERS for verification of each of the data elements, we made additional assumptions where the data was not already available. The objective was to define a larger then needed population to capture any potential values before the case by case review proceeded. We added the following steps:

- While we had optional forms of benefit to convert to standard life annuities or qualified survivor benefits, we did not have information as to whether the beneficiary under the joint and survivor options was a qualified spouse. To be most inclusive we therefore assumed that all survivor benefits were non spouse beneficiaries and increased the base benefit to be 20% of the reported value to simulate the actuarial adjustment that might apply.
- We determined the total annual annuity for each retiree by adding the pension adjusted for form of payment, the 13th check benefits and the additional 7% Corbett benefit for pre 2000 retirees together (the Andrecht benefits were included in the pensions provided by SDCERS as their payment of this benefit was not contingent on excess earnings).
- We tested all participants against the 415 limitation in effect at time of retirement, based on appropriate limits adjusted for age at benefit commencement, employment classification (general versus public safety), year of retirement, defined normal retirement age and 2% automatic COLA (by using 80% of the limit as a maximum estimated adjustment).
- By taking a ratio of the sum of the benefit pieces to the appropriate 415 limit we identified all participants with a ratio of 85% or greater.

From this process we defined the group of potential failure of 342 participants in pay status to be submitted to SDCERS to go through each file and confirm the data used as well as identify additional information to use in the testing. This cohort is made up of 26 participants who retired prior to 1995, and 291 who retired between 1995 and March 31, 2006. We also added in any retirees from March 31, 2006 through June 30, 2007 who were tested and subjected to the lower threshold of 75%.

Along with confirmation of the data used for this initial testing, we requested information that affected the final test including whether the benefits reflect

- Offset for benefits purchased from qualified rollovers amounts
- Eligibility for public safety limitations by virtue of having 15 or more years of service as a public safety employee
- Aggregation of benefits from a qualified domestic relations order in effect at the

- time of retirement
- Continuation for those participants with joint and survivor options in effect as to whether the beneficiary is a qualified spouse
- Post tax contributions or employee benefits
- Pre or post tax rollovers used for the purchase of additional service benefits.

Making adjustments for the additional information as appropriate we ran a final test on the 342 participants and determine the number of participants in receipt of benefit in excess of the appropriate 415 limit.

The retroactive testing population was defined as 102 retired participants for whom we prepared a year by year comparison of the benefits payable including actual cost-of-living adjustments to the 415 limit adjust to age of retirement and benefit form. This process was conducted for each of the retroactive testing retirees with one or more years of benefit receipt in excess of the appropriate 415 limit from actual retirement date through June 30, 2007.

The net excess benefits were rolled forward at 8.0% from the end of the limitation year to June 30, 2007.

Procedure and assumptions applied in the determination of the appropriate 415 limits:

1. Applicable mortality and interest rate assumptions for the calculation of actuarial equivalents are: a gender blended 50/50 GAM 83 mortality table used through December 2002 and 94 GAR mortality table projected to 2002 using the AA projection scale, thereafter with an 8% interest assumption in accordance with Code Section 415(b)(2)(E)(i).
2. DROP balances are annuitized at the date of actual retirement using the above assumptions.
3. 415 limits by age for general retirees are based on the changes in the law under EGTRRA to reflect pre-65/62 reductions.
4. We used the 415 limit as defined in the limitation year by taking 6/12ths of the limit during the two calendar years that fall within the limitation year.
5. The total annuity of each general retiree is compared to the 415 limit based on age at retirement and year of retirement.
6. For retirees qualified as public safety, a comparison was made to the 415 limit based on years of retirement. There is no age adjustment made for public safety retirees under age 65.

Procedure to fill in missing information:

1. For retirees who have died, the value of their initial benefit is used and limitation applied in proportion to the a beneficiary's annuity.
2. While we have optional forms of benefit to convert to standard life annuities or qualified survivor benefits, where information as to whether the beneficiaries under the joint and survivor options is not a qualified spouse we adjusted the benefit based on a factor determined by taking the ratio of the J&S annuity over the straight life annuity.

Exhibit A: Cheiron Proposed Procedures on Retrospective 415(b) Testing

San Diego City Employees Retirement System

Retroactive Testing of Internal Revenue Code Section 415(b) Maximum Allowable Defined Benefits Payable from a Qualified Trust

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Procedure to test current retirees

The first step was to identify the testing population. We started with the database provided in performing our actuarial valuation of SDCERS as of July 1, 2006. These ~~were~~are the applied steps in defining the test population:

- SDCERS provided Cheiron with 6,652 retiree records. Each record included social security number, first, middle, and last name, benefit type, effective date, termination date, annuity, pension, cola and base amount.
- We then received the DROP account balances database, ~~which contained 1,083 records. However an updated database will be requested to capture retirees from April 1, 2006 through June 30, 2006.~~
- These records ~~will be~~were matched to the data provided for the ~~June 30, 2006~~June 30, 2006 actuarial valuation and reconciled.
- For compliance we ~~will look~~looked at all retirees based on the IRS response to the initial filing.
- We ~~are excluding~~excluded all disabled retirees (pre-retirement) who have not attained normal retirement age from the testing population.
- ~~On this basis the testing population is defined to contain 6165 participants in pay status. We supplemented this data with any retirees since June 30, 2006 and through June 30, 2007, who were within 70% of the 415 limits at retirement.~~

With the ~~testing~~eligible population subject to testing defined, we ~~then~~ proceeded to define the total aggregate benefit payable at retirement from SDCERS. ~~This step~~We tested this population in two phases, first by identifying those retirees who were within 85% of the limit and then this net group after receiving more detailed confirmation of benefit data. These steps included:

- Extracted from the database date of birth, total service credits, plan ID (general employee versus public safety), benefit type, standard benefit, cost of living adjustment (CPI with 2% cap, 13th check), benefit granted through subsequent litigation or grants [Corbett and Andrecht] and payment option.

- The DROP accounts information was provided for all retirees through March 31, 2006-June 30, 2007. For testing we converted the lump sum values of these accounts to annuities as additional benefits at retirement based on the appropriate assumptions for conversion of benefits to ~~the standard~~ a single life annuity form.
- The benefit is ultimately adjusted for the automatic COLA for testing; however, we initially adjusted the 415 dollar limit to identify our detailed test group.
- ~~For the COLA benefits it was determined the CPI COLA subject to the 2% cap would have to be included as an additional adjustment of the 415 dollar limit. The limit was therefore adjusted to reflect a 2% per annum increasing benefit. The 13th check while contingent on excess earnings has been fully granted in all but two years and was assumed to be a permanent benefit and subject to testing as if permanent.~~
- ~~To identify the testing population we used a threshold of the benefit being at least 90% of the calculated 415 age-adjusted limit. For the 189 participants who retired since March 31, 2006 we used a lower threshold (75% instead of 90%) to compensate for the missing DROP data to determine our aggregate failure population.~~

With each of the component benefits identified we determined a potential failure group by making some general assumptions to identify potential test failures (participants in pay status receiving in excess of the appropriate 415 limit). This group would then be With these adjustments a testing population was defined if the benefit was at least 85% of the calculated 415 age and COLA adjusted limit.

Before this test group was resubmitted to SDCERS for verification of each of the data elements. The intent, we made additional assumptions where the data was not already available. The objective was to define a larger then needed population to capture any potential values before the case by case review proceeded. We added the following steps:

- While we had optional forms of benefit to convert to standard life annuities or qualified survivor benefits, we did not have information as to whether the beneficiary under the joint and survivor options was a qualified spouse, ~~to~~. To be most inclusive we therefore assumed that all survivor benefits were non spouse beneficiaries and increased the base benefit to be 20% of the reported value to simulate the actuarial adjustment that might apply.
- We determined the total annual annuity for each retiree by adding the pension adjusted for form of payment, the 13th check benefits and the additional 7% Corbett benefit for pre 2000 retirees together (the Andrecht benefits were included in the pensions provided by SDCERS as their payment of this benefit was not contingent on excess earnings).
- ~~We then tested all participants against the 415 limitation in effect at time of retirement, based on appropriate limits adjusted for age at benefit commencement, employment classification (general versus public safety). Year, year of retirement, defined normal retirement age and 2% automatic COLA (by using 80% of the limit as a maximum estimated adjustment).~~
- By taking a ratio of the sum of the benefit pieces to the appropriate 415 limit we identified all participants with a ratio of ~~90~~ 85 or greater.

From this process we defined the group of potential failure. From this process we identified of 342 participants in pay status to be submitted to SDCERS to go through each file and confirm the data used as well as identify additional information to use in the testing. This cohort is made up of 26 participants who retired prior to 1995, and 291 who retired between 1995 and March 31, 2006 and 25 who retired between 2006. We also added in any retirees from March 31, 2006 and through June 30, 2006 and 2007 who were tested and subjected to the lower threshold (75%) to accommodate the potential benefits under the DROP of 75%.

~~We will use a set of assumptions in the testing that were jointly decided upon with Lee Miller and SDCERS which included:~~

- ~~• Not to account and offset for any post tax employee contributions — these amounts could either offset the defined benefit tested or be subject to Section 415(c) testing. To the extent retirement occurred prior to 1995 when post tax employee contributions could have a material impact they will be included in the testing~~
- ~~• Not to adjust for service purchases — It was agreed to include test benefits without offset, as it was unclear if the data could be obtained to identify if such amounts were pre or post tax dollars, as well as securing which service was eligible for offset as qualified permissive service~~

Along with confirmation of the data used for this initial testing, we ~~will be requesting~~requested information that ~~would affect~~affected the final test including whether the benefits reflect

- Offset for benefits purchased from qualified rollovers amounts
- Eligibility for public safety limitations by virtue of having 15 or more years of service as a public safety employee
- Aggregation of benefits from a qualified domestic relations order in effect at the time of retirement
- Continuation for those participants with joint and survivor options in effect as to whether the beneficiary is a qualified spouse
- Post tax contributions or employee benefits
- Pre or post tax rollovers used for the purchase of additional service benefits.

Making adjustments for the additional information as appropriate we ~~will run~~ran a final test on the 342 participants and determine the number of participants in receipt of benefit in excess of the appropriate 415 limit ~~with the COLA adjustment in effect at time of retirement.~~

~~The testing procedure does not reflect reduction of benefits for:~~

- ~~• Post tax employee contributions~~
- ~~• Post tax service purchases~~
- ~~• Limit adjustments for cost of living provisions contained in the SDCERS Code~~
Once the retroactive testing population is ~~was~~ defined we will provide ~~as 102~~ retired participants for whom we prepared a year by year comparison of the benefits payable including actual cost-of-living adjustments to the 415 limit adjust to age of retirement and benefit form but ~~without~~ adjustment for COLA to demonstrate the benefits paid in excess. This process will continue annually ~~was~~ conducted for ~~all~~ each of the retroactive testing retirees until their benefits fall

~~below the COLA adjusted 415 limits at which time there could mathematically be no incidence of failure under the current law with one or more years of benefit receipt in excess of the appropriate 415 limit from actual retirement date through June 30, 2007.~~

The net excess benefits were rolled forward at 8.0% from the end of the limitation year to June 30, 2007.

Procedure and assumptions to be applied in the determination of the appropriate 415 limits:

1. Applicable mortality and interest rate assumptions for the calculation of actuarial equivalents are: a gender blended 50/50 GAM 83 mortality table used through December 2002 and 94 GAR mortality table projected to 2002 using the AA projection scale, thereafter with an 8% interest assumption in accordance with Code Section 415(b)(2)(E)(i).
2. DROP balances ~~will be~~ annuitized at the date of actual retirement using the above assumptions.
3. 415 limits by age for general retirees ~~will be~~ based on the changes in the law under EGTRRA to reflect pre-65/62 reductions.
4. ~~Each calendar year's 415 annual limit will be applied based on the year of actual retirement. We used the 415 limit as defined in the limitation year by taking 6/12ths of the limit during the two calendar years that fall within the limitation year.~~
5. ~~Total~~The total annuity of each general retiree ~~will be~~ compared to the 415 limit based on age at retirement and year of retirement.
6. For retirees qualified as public safety, a comparison will be made to the 415 limit based on year years of retirement. There ~~are~~ no age adjustment made for public safety retirees: under age 65.
7. ~~The adjustment to the 415 limits for the automatic COLA will be assumed at the current cap of 2.0% per year.~~

Procedure to fill in missing information:

1. For retirees who have died, the value of their initial benefit ~~will be~~ used and limitation applied in proportion to the a beneficiary's annuity.
2. ~~We will assume the largest paying plan for retirement benefit purposes if someone had multiple ID's.~~
2. ~~3.~~ While we have optional forms of benefit to convert to standard life annuities or qualified survivor benefits, where information as to whether the beneficiaries under the joint and survivor options is not a qualified spouse we ~~will adjust~~adjusted the benefit based on a factor determined by taking the ratio of the J&S annuity over the straight life annuity.

Exhibit B: Cheiron Procedures on Prospective 415(b) Testing

San Diego City Employees Retirement System

Prospective 415(b) Testing

Prospective testing will be conducted first by SDCERS through a screening process that will combine detailed information provided through Pension Gold and a calculator developed to incorporate the various benefits to be included as defined benefits. Cheiron will be involved in verification of those benefits considered within a reasonable range of the maximum limitations to verify any adjustments to be made.


The calculator -- a sample screen in Exhibit G -- incorporates the current benefits provided to City employees as non-ancillary. The process will be similar to the retrospective approach and will differ through the potential inclusion of more accurate information on the nature of funds used in the purchase of service, and rollover amounts. It is also anticipated that at some point in time post-tax employee contribution information may be available for offset in the determination of the benefit subject to testing.

It is anticipated the calculator will also be adjusted from time to time to reflect changes in the testing procedure as a function of changes in defined limitation year, assumptions defined by the plan and changes in the application of automatic cost-of-living adjustments.

I/1928719.2

Revised 3/20/07

Exhibit C

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	Document: 415(b)	

415(b) Operational Process

1 Overview


This document presents the operational process implemented by SDCERS to:

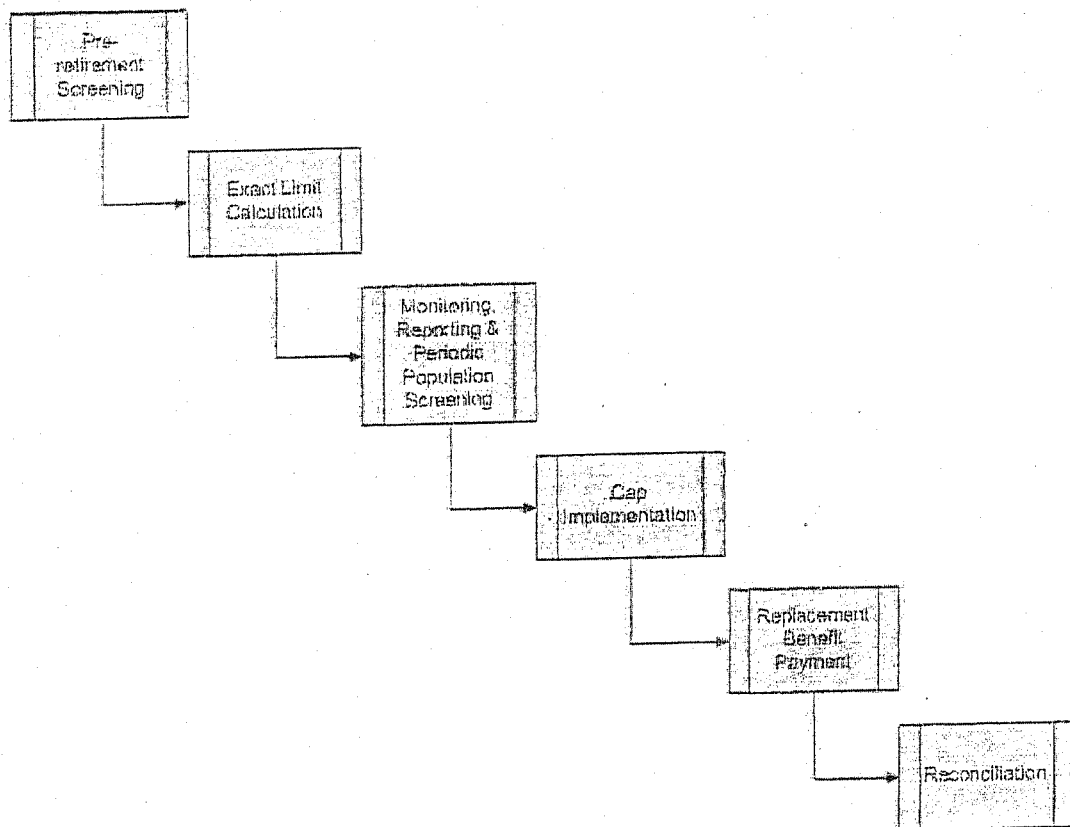
1. Screen benefits for 415(b) compliance
2. Cap benefit payments to those payees whose benefits exceed 415(b) limits

The key stakeholders in this process are:

- **Members and their associated payees**, currently receiving benefit payments and subject to 415(b) limitation
- **Member Services staff members**, responsible for counseling retirees and entering 415(b) data into PensionGold
- **Member Services manager(s)**, responsible for monitoring 415(b) limited payees and coordinating the cap implementation and replacement benefit payments
- **SDCERS' actuarial firm, Cheiron**, responsible for reviewing referred payee data and calculating exact 415(b) payee limits
- **Legal department**, responsible for participating in the Senior Management Review Group
- **SDCERS Board**, in maintaining the tax qualified status of the plan

The highest level process flow is as follows:

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2 415(b) Screening and Monitoring Process

2.1 Pre-Retirement Initial Screening and Counseling

It is very important that the Member Services staff members be able to effectively and accurately counsel members who may be subject to 415(b) benefit limitations. The staff members will need to produce an initial "worst case scenario" screening result, by entering key member data into the Cheiron screening tool. Some data elements, such as retirement effective date, may be estimated at this early stage. If pre-retirement testing indicates that the member's combined benefit may be within 95% of their limit, then he or she is counseled accordingly, and the file is flagged.

During the Member's counseling session, it must be determined whether or not Safety Members have met the IRS definition of Safety at anytime during their career. If they have, the staff member will set the IRS Safety flag in the member's PensionGold record.

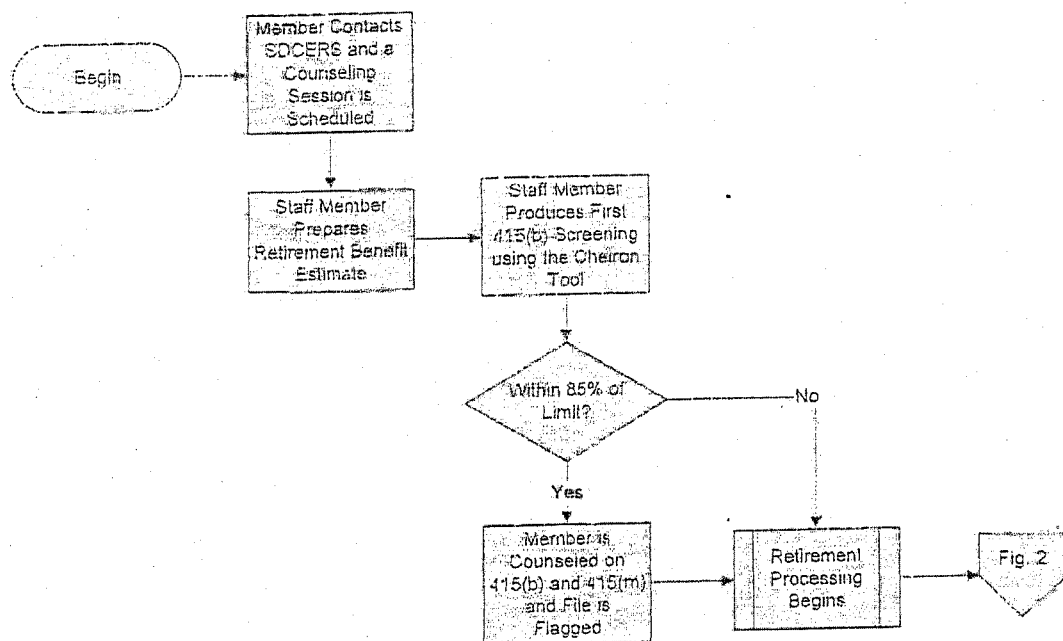


Figure 1

2.2 Establishment of the 415(b) Limit at Retirement

Once an application is made for retirement and the benefit set-up process has begun, the initial 415(b) test is repeated with final retirement information. If still within 95% of the limit used in this first level screening, the member's file will be referred to the 415(b) Review Group. This group, made up of representatives from Legal and Senior Management, will review the member record. They will confirm the staff member's IRS Safety determination and assess the record for possible exemption. If the member is exempt ("grandfathered") from 415(b) limitation, the 415(b) Exempt flag is set in their PensionGold member record and they will be excluded from future screening. If it is determined that no exemption exists, they will approve the referral of the member's data to Cheiron.

Cheiron will use the detailed data from the member's file, to complete the calculations necessary to arrive at the exact 415(b) benefit limit to be applied to the member in the current year (the year of retirement). Staff members are responsible for entering this limit, along with its effective date into the PensionGold member record.

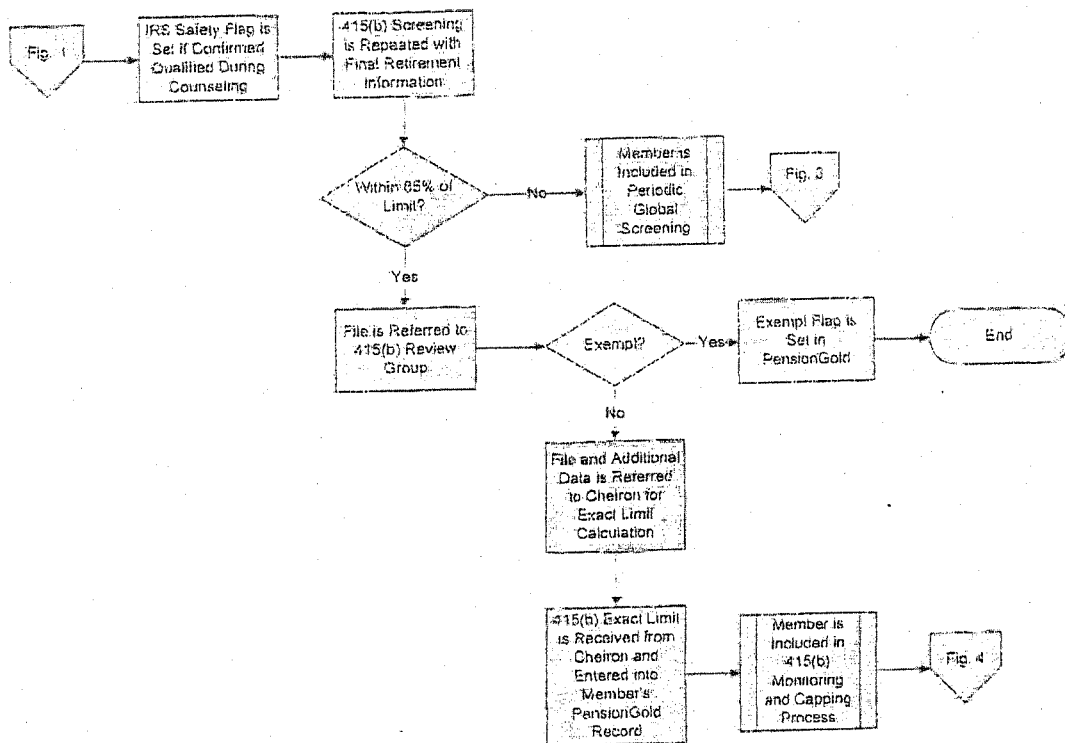


Figure 2

2.3 Periodic Screening of Payee Population

The Senior Management Group will request the periodic screening of the entire population of payees currently receiving a benefit. This worst-case screening will return a listing of anyone within 95% of the limit, but for whom there is no specific limit already populated in PensionGold. By doing this screening periodically, SDCERS can ensure that no payee has been overlooked. If anyone is returned on this periodic screening, they will immediately be reviewed and their data sent to Cheiron, as appropriate.

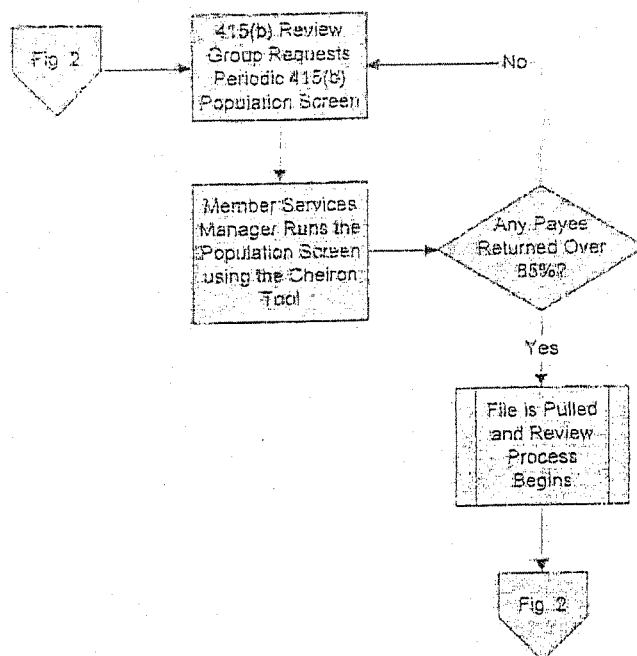


Figure 3


2.4 Monthly Payroll Monitoring

Once a specific limit has been entered into a payee's PensionGold record, their data will appear on monthly payroll monitoring reports. These reports are run as a part of the Normal payroll process, and provide managers with a means of monitoring those payees whose benefits will be capped during the year. The Member Services Manager will review the report, making note of any payees who are projected to exceed their specific limit during the calendar year. Preparations must be made well in advance to ensure that the correct adjustments are in place and that the plan sponsor's 415(m) replacement plan has been funded.

SSN	Subjed	Assoc	YTDBenefit	MonthlyBen	ProjectedBen	CAP	AmtOvrCap	LatFullM
			18,613.62	9,306.81	114,194.52	77,356.00	36,844.52	7
		Gold	18,329.12	9,157.11	102,101.61	84,000.00	18,101.61	3

Monthly 415(b) Payroll Report Sample

The 415(b) Payroll Report should be run well in advance of each Normal payroll closing. The Member Services Manager will review the report, making note of any payees who are projected to exceed their specific limit during the calendar year. Preparations must be made well in advance to ensure that the correct PensionGold benefit adjustments are in place and that the plan sponsor's 415(m) replacement plan is ready with replacement

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benefit funds. Details on how benefits are capped and replaced are presented in the next section.

3 415(b) Capping Process

A modified cliff process allows SDCERS to pay out complete DROP payments, as well as enough retirement benefit dollars to cover any deductions, without exceeding the 415(b) calculated by Cheiron. It will also make it possible to advise the City of the amount needed to fund the 415(m) payment, in advance of cap implementation later in the year.

The only exception to this modified cliff implementation method, is for new retirees receiving less than a full twelve months of benefit payments in their first year.

3.1 Cap Calculation: Pro-rated First Year

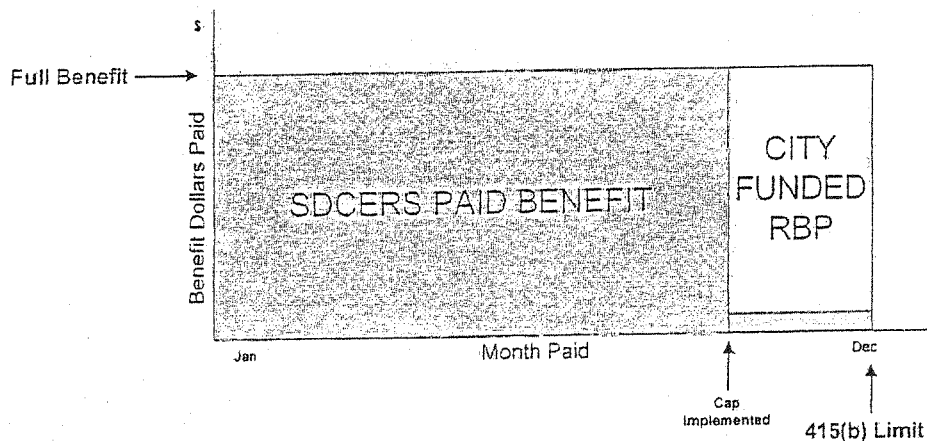
It will be necessary to pro-rate the annual limit and apply it monthly to benefit payments made in an initial partial year of retirement. This means that the first benefit payments made to a member who will exceed their 415(b) limit, may need to be capped. This proration is necessary only in a partial first year of retirement.


3.2 Cap Calculation: Full Year

3.2.1 Accommodations for Payroll Deduction

Cheiron will supply an individually calculated 415(b) limit for each of the payees subject to capping. In order to accommodate DROP payments, and any payroll deductions that the payee may have (this is especially important in the case of healthcare premium deductions), the actual limit implementation point will be adjusted by the total deduction amount times the number of months paid out of the City 415(m) fund.

The following diagram illustrates the cap implementation model:



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3.2.2 Exception Cases

- **Final Benefits Check is "Not Enough Gross" to Handle Deductions**

If Payroll Analysis indicates that this is the case, then the cap will be implemented one month earlier. The Payroll Analysis report will be used to confirm correct payments required for each month. All other procedures will remain unchanged.

- **Deduction Change During Capped Period**

If it becomes necessary to change deductions during the capped period (death of a spouse, for example), it will be necessary to complete another Payroll Analysis report and change the offsetting payroll adjustment to accommodate the change. This should be done after the new deduction is in place, as the Analysis report uses the current deduction values stored in PensionGold.

- **Death During Capped Period**

If a payee dies during the capped period, we will have additional benefits that will need to be paid out. This amount will be equal to the amount of the deductions not taken through the end of the year. Replacement benefits equal to this amount may need to be repaid to the City.

3.3 Steps to Implementing 415(b) Cap

3.3.1 Monitor Monthly Payroll Screening Report

Any payee for whom a specific limit has been established by the Cheiron, will be monitored prior to each Normal Payroll, as detailed in section 2.4 above. When it has been confirmed that a payee's projected benefit will exceed their 415(b) limit, their cap will be implemented through a payroll adjustment in their PensionGold record.

3.3.2 Produce Individual Payroll Analysis

- **Run the Payroll Analysis in the Screening Tool**


This tool will help analyze the payments remaining, and calculate the appropriate splits in the transition month.

Report Run Date May 5, 2006

SSN	Subject	Assoc	Yr DBenefitPd	MonthlyBen	ProjectedBen	CAP	AmtOvrCap	LstFulMo
XXX-XX-	Loveland, George		\$ 64,774.99	\$ 16,193.75	\$ 194,325.00	\$ 152,031.00	\$ 42,294.00	8
XXX-XX-	Jane Doe	DRO	\$ 18,328.12	\$ 8,157.11	\$ 102,101.61	\$ 84,000.00	\$ 18,101.61	9

Notice that John is expected to receive his last full benefit check from SDCERS in August. So in May, his information is verified and appropriate adjustments made to limit his benefits in PensionGold for September through December.

- **Review Payee's Record**

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This is a crucial step! While the Payroll Analysis Report will assist the staff members in their 415(b) capping assessment, it cannot and should not be relied upon exclusively. The safest path will be to complete the report, and use it for reference while reviewing the payee's record in PensionGold. Verify the following crucial information:

- Year to Date Gross
- Total Deductions
- 415(b) Limit
- Benefit Dollars Remaining

An important part of the assessment, will be to run the Individual Screening report in the Screening Tool. This report will present the following in detail:

- Annual Benefit/Cap Projections (current year and next year)
- Current Benefit Detail (displaying retirement benefit, DROP, deductions)
- Current Year Monthly Benefit Projections (monthly breakdown of SDCERS paid and City funded payments)

3.3.3 Enter Off-set Adjustments in PensionGold


It can be safely assumed that all payees subject to a 415(b) cap will have an "odd" month where the final benefit dollars paid will not equal a full month's standard benefit payment. This will require two offsetting adjustments be set up.

3.3.4 Withholding Tax Changes

It should be noted that withholding taxes defined for capped members in PensionGold, will need to be halted or revised during capped benefit months. The member should be consulted on how they would like to have their withholding taxes managed.

3.3.5 Continue to Monitor Monthly Report

It is important to continue to monitor capped payees through the final payroll of the year. This is a safeguard against any additional payments setup in error that may take someone over his or her cap. Appropriate managers and staff members should become *very* familiar with capped payees and their status.

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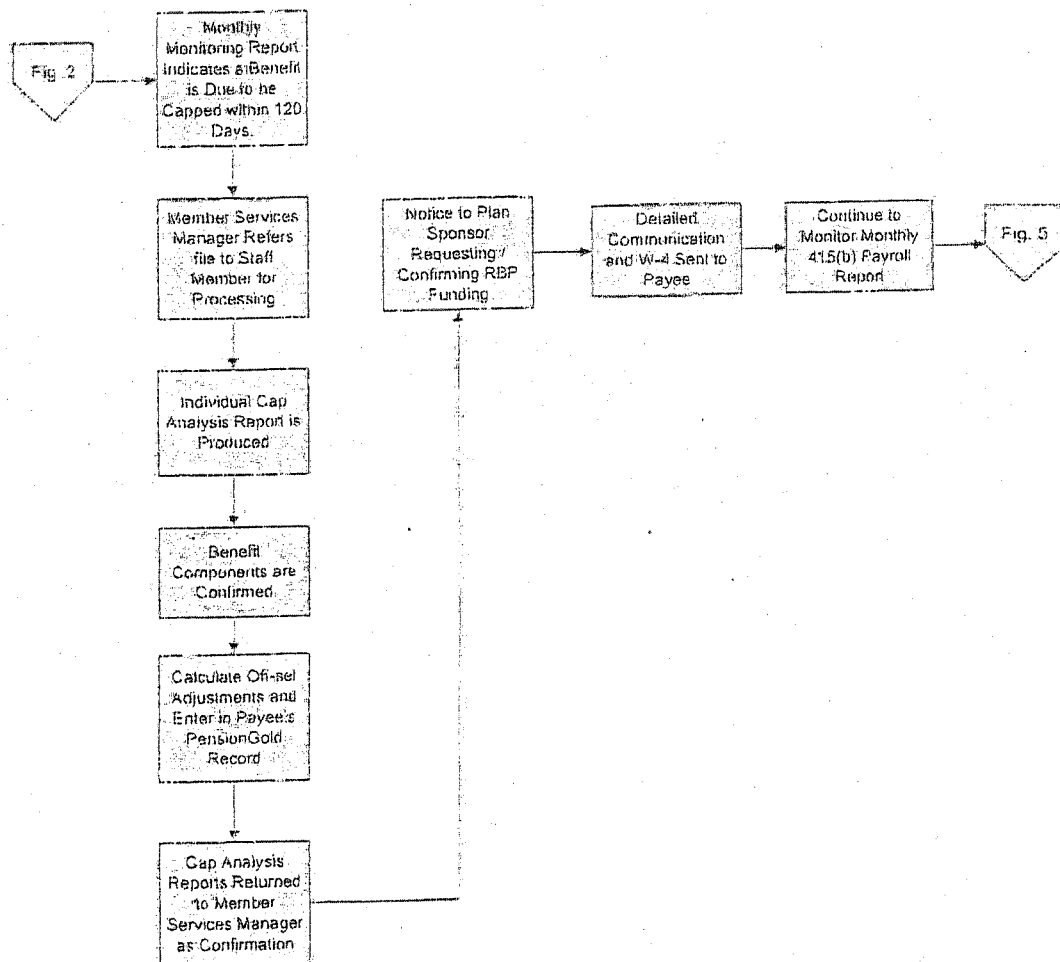



Figure 4

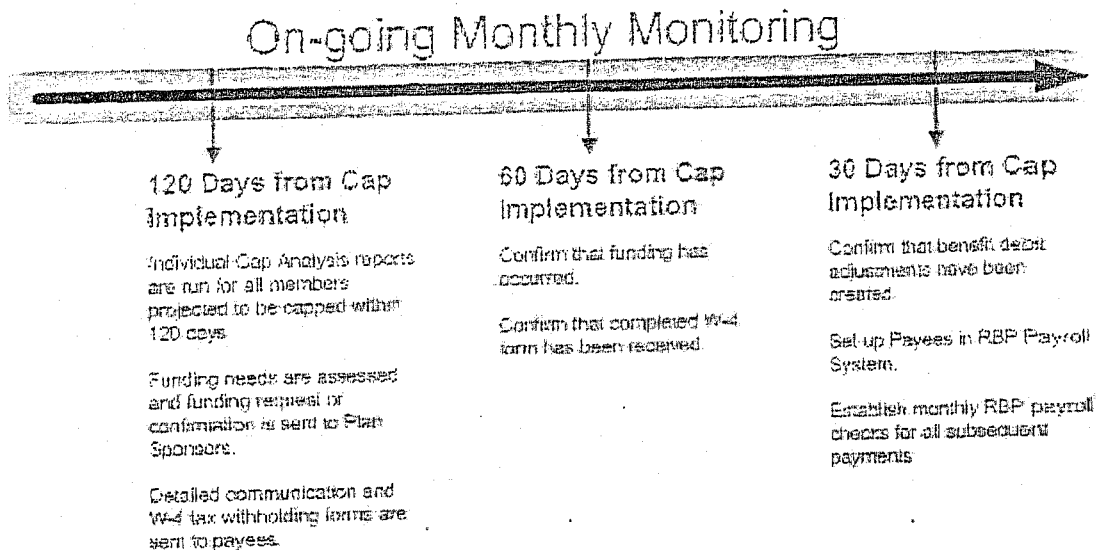
4 415(m) Replacement Benefit Payment Process

SDCERS is responsible for four critical functions in the 415(m) replacement benefit process.

- Communication with Plan Sponsors
- Replacement Benefit Program (RBP) Funding Management
- Issuance of RBP payments to capped payees
- Program Reconciliation and Administrative Cost Allocation

The first three functions must be executed according to the following timeline:

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The Program Reconciliation and Cost Allocation functions will be executed during those periods in which payees' benefit are capped and replaced by the RBP.

4.1 Communication with Plan Sponsors

4.1.1 Annual Notification of 415(b) Projections and Reallocations

In January of each year, the Member Services Manager will produce a series of 415 analysis reports, to be used for planning and reconciliation by SDCERS and its Plan Sponsors. The following will be sent to the Plan Sponsors:

1. **Currently Capped Benefits** – This is the report used in the 415(b) Monthly Payroll process. By sending it to the Plan Sponsors early in the year, they will have the information necessary for planning fund transfers and credits to contributions payable.
2. **Retro-active Reallocations as Needed** – If a payee whose benefit has been capped, dies during the period of time that the RBP is active, then he or she will not have reached the full 415(b) benefit cap for the year. In this case, A reallocation of funds must take place between the SDCERS benefit fund and the RBP. The Member Services will need to calculate the amount to be refunded to the RBP and credited to contribution owed by the Plan Sponsors.
3. **Invoice for 415(m) Administration Costs** – SDCERS must be reimbursed for the cost of administering the RBP program on behalf of the Plan Sponsors. In January, the Accounting manager will produce an invoice for each Plan Sponsor, based on the number of payees participating in the RBP during the previous year.

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4.1.2 Periodic Communication and Funding Request

The monthly payroll process¹ includes the generation and review of the Currently Capped Member Benefits report. This listing will be produced by Member Services, reviewed and included in the standard payroll packet of documents.

The Senior Manager responsible for funding management, will determine when and how much money will be needed to fund the RBP. This is done using the Individual Cap Analysis reports for each payee projected to reach the cap within 120 days. These individual reports will break down the amount to be paid each month from the RBP and from SDCERS standard benefits fund.

It will then be necessary to identify the plan sponsors associated with these payees, and to submit a summary funding request, along with copies of the associated Individual Cap Analysis reports.

The following diagram illustrates this high-level process.

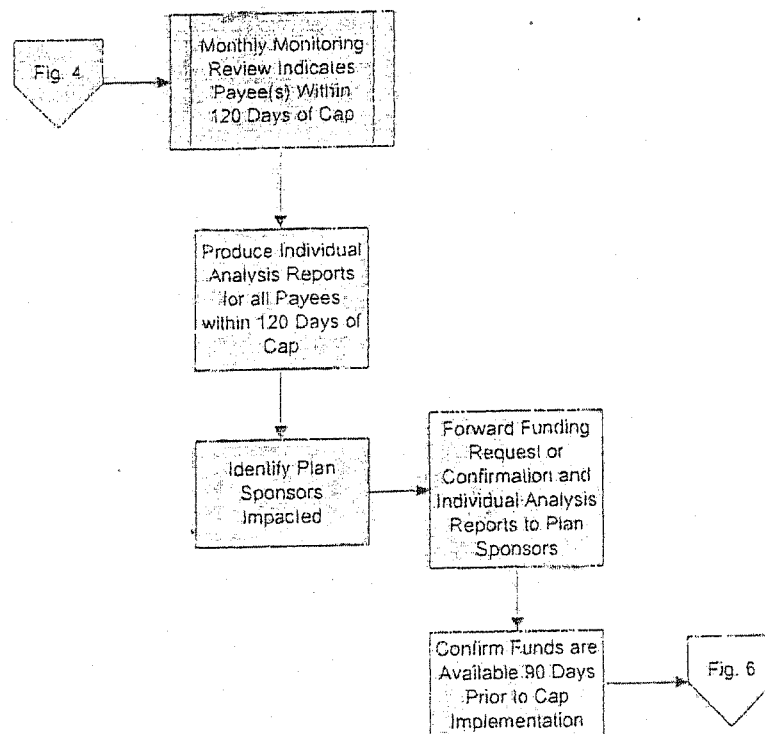



Figure 5

¹ 415(b) tasks in the monthly payroll process are discussed in section 2.4.

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4.2 Replacement Benefit Funding Management

Although SDCERS will be administering the 415(m) RBP program for its Plan Sponsors, all funds used to pay replacement benefits to payees capped by 415(b) limits, must be provided by the Plan Sponsors. Further, these funds must be maintained in an account clearly separate from SDCERS' benefit funds.

Upon receipt of the funding request from SDCERS, each Plan Sponsor will have sixty days to transfer the money into the RBP account. The Accounting manager will monitor this account to ensure that the funds are received in time to pay out to capped members.

4.3 Issuance of RBP Payments to Capped Payees


4.3.1 Preparation

Sixty days prior to issuing an RBP payment to a payee, the Accounting department will confirm that the following information and documentation is available:

1. W-4 form completed by Payee
2. Social Security number
3. Full name and mailing address
4. EFT banking information as applicable

Thirty days prior to issuing an RBP payment, it will be necessary to confirm that the payroll debit adjustments have been set correctly in the payee's PensionGold record. This is confirmed by running the Individual Cap Analysis report for the payee, and comparing it to the records in PensionGold.

- Confirm that the **Effective Date From** of the 415(b) adjustment is the first day of the first month in which the 415(b) cap will be implemented. In all likelihood, if the payee will be capped for more than one month, it will be necessary to enter more than one adjustment for the payee. This is because there is an "odd" amount paid out in the first capped month, as illustrated in the following example:

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Individual 415 Cap Analysis

TAXES

Payee: [REDACTED]
 Member: [REDACTED] (General, Non-Exempt)

Annual Cap Projections							
ESN	Subtotal	Adj Entry	Rel Entry	Assoc	CurvPrnt	Cap	CurvPrnt
		7021555	4741555		98,277.26	98,500.56	7,678.28

Current Benefit Detail					
Months Left	Monthly Ben	Monthly Annuity	Monthly MBRP	Benefit YTD	Benefit Lst
6	\$8,258.26	\$579.98		\$2,311.45	\$6,185.13

Current Year Monthly Benefit Projections											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PAID	PAID	PAID	PAID	8,258.26	8,258.26	8,258.26	8,258.26	8,258.26	8,258.26	7,678.28	961.29

Assoc Codes represent certain payment types associated with this member account.
 C = Continuation, CD = Continuation Only (no retirement benefit exists), E = Survivorship, QCRD = QCRD Old Order, QCRD = QCRD New Order

We can see that two adjustments will be needed, in different amounts to achieve the payment indicated:


November

Monthly Benefit: \$8,258.26
 Max Benefit to be Paid: \$7,678.28
 Adjustment Amount: \$ 579.98
 Effective From: November 1st, 200X
 Effective Until: November 30th, 200X

December

Monthly Benefit: \$8,258.26
 Max Benefit to be Paid: \$ 961.29
 Adjustment Amount: \$ 7,296.97
 Effective From: December 1st, 200X
 Effective Until: December 31st, 200X

Note that these adjustments are only effective for a single month, and beginning in January of the subsequent year the payee will be returned to their full benefit payment. It should be further noted that these two adjustment amounts are also the amount of 415(m)

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payments needed from the plan sponsor in each capped month to total the regular monthly benefit.

The Member Services department is responsible for creating the adjustments at least ninety days prior to the first capped month. The Member Services Manager will verify that they have been created, and coordinate with the Accounting Department to ensure that the RBP payment will equal the adjustment amount.

Thirty days prior to issuing an RBP payment, the Accounting department must establish a payment record for the payee in the RBP payroll system. The record must include appropriate payroll tax withholdings, processed using the associated Plan Sponsor's Employer Identification Number (EIN). If the payee will be receiving the RBP as an EFT transfer, it will be necessary to make those bank file transfer preparations as well.

4.3.2 Payment Issuance

It is very important that SDCERS work to minimize the impact that 415(b) benefit capping and 415(m) benefit replacement has on its members and their associated payees. Toward this end, the Member Services Manager must ensure that the payee's RBP payment is received at the same time as the regular benefit payment portion. If the payee receives a check, then the Accounting manager should forward it to Member Services so that it can be combined in a single mailing. If the payee receives an EFT, then every effort will be made to ensure that both EFTs are credited to the payee's account on the same day. Advice notices should be combined in a single mailing.

Tax withholding deposits must be made according to the IRS rules, and using the EIN associated with each Plan Sponsor associated with capped the payees. Each January, a W-2 will be issued to each payee that received 415(m) replacement benefits from the RBP. These will be issued by the Accounting department, and must be reconciled to the withholding tax amounts reported during the year.

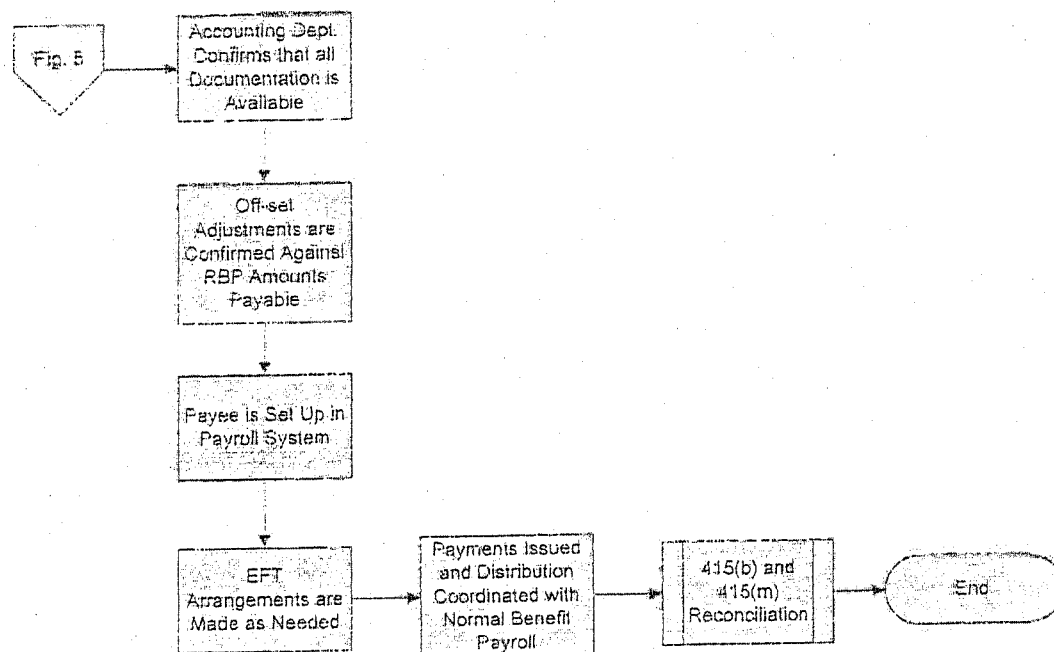



Figure 6

5 Program Reconciliation & Cost Allocation

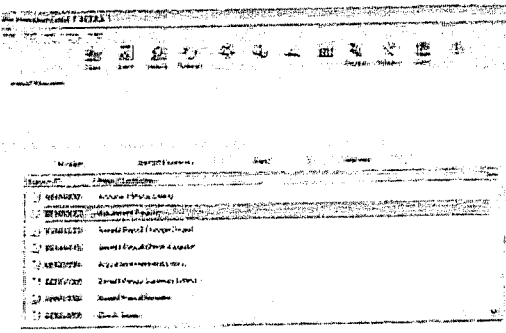
5.1 Tools

5.1.1 415(b) Payroll Adjustments

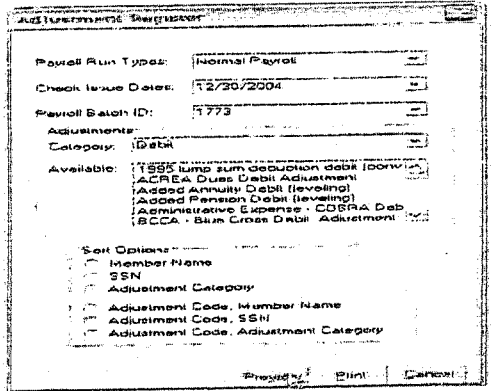
PensionGold produces the primary payroll report used by the Accounting Staff for their reconciliation. The Adjustments Register (BENR0002) is a member-level detailed report, and will supply the analysts with complete data on any 415(b) adjustments during a particular payroll. The following steps are taken to run this report:

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1. Select BENR0002 from the PensionGold Report Manager.



2. Select report parameters.



The Report may then be previewed or printed.

Run Date: 08/15/2005 User ID: Mary Anne Walker / Linda Schmitt
Run Time: 1:45 PM Page 1

Adjustment Register

Check Issue Date: 12/30/2004
Payroll Run Mode: Update Run

Handoff SSN	Benefit Type	Adjustment Code	Adjustment Category	Payroll Date	Amount	Applied Prior To Tax Calculation	Year To Date
[REDACTED]	Service	415(b) Limit	Debit	12/30/2004	\$0.00	Yes	\$0.00
[REDACTED]	Service	415(b) Limit	Debit	12/31/2004	\$0.00	Yes	\$0.00
[REDACTED]	Service	415(b) Limit	Debit	12/31/2004	\$0.00	Yes	\$0.00


The information here should be verified against the Individual Cap Analysis reports, for each of the payees affected.

5.2 Administrative Cost Allocation

As noted above, Plan Sponsors must pay the costs incurred by SDCERS for administering the 415(m) RBP program. In January of each year, The Accounting manager will prepare an invoice for each Plan Sponsor for whom the 415(m) program was implemented.

This invoice will contain a listing of the payees for whom RBP payments were issued, along with the total number of payments issued. The administrative cost per payee per month will be multiplied by the number of payees participating in the RBP program for each Plan Sponsor. To this sub-total will be added the cost of tax withholding and reporting for each payee.

Under no circumstances are administrative costs to be paid out of the Replacement Benefit Fund. The Replacement Benefit Fund is only to be used to pay replacement benefits to the member, or the member's associated payees. Amounts received by

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SDCERS for administration of the RBP will not be combined or in any way mixed with those funds used to pay replacement benefits.


6 Error Resolution

If any discrepancy is found, the Accounting Assistant Manager will immediately notify the Benefit Manager and confirm that the 415(b) Payroll adjustments taken were appropriate and correctly reflected all 415(b) limit reporting used during the process. If the discrepancy is found to be on the Plan Sponsor side, the Accounting Manager will contact the appropriate Plan Sponsor representative to report all findings and provide documentation as needed for resolution.

Version Control

Version	Date	Changes from previous version
1.0	05/05/06	Initial Draft

Exhibit D

	Project: SDCERS Tax Compliance	Mary Anne Walker DRAFT 06/27/2006
	Document: 415(c) Operational Process	

415(c) Operational Process

1 Overview

This document presents the operational process implemented by SDCERS to:

1. Screen individual post-tax contributions for 415(c) compliance, prior to acceptance;
2. Screen entire active member population with post-tax contributions annually;
3. Implement a refund of contributions program for those members found to have contributed beyond the applicable 415(c) limits.

The key stakeholders in this process are:

- **Active Members** making post-tax contributions;
- **Plan Sponsors** who employ SDCERS members;
- **Member Services staff members**, responsible for qualifying and accepting post-tax contributions;
- **Member Services manager(s)**, responsible for monitoring requests for post-tax service purchase contributions, and coordinating communication and information exchange with plan sponsors;

Also responsible for annual active population screening and implementation of reduction according to priority agreed upon with plan sponsors.

The highest level process flow is as follows:

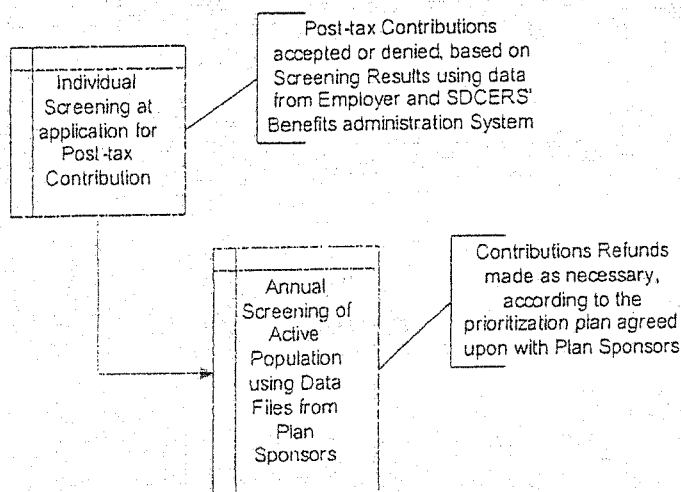


Figure 1

2 415(c) Post-tax Contribution Screening

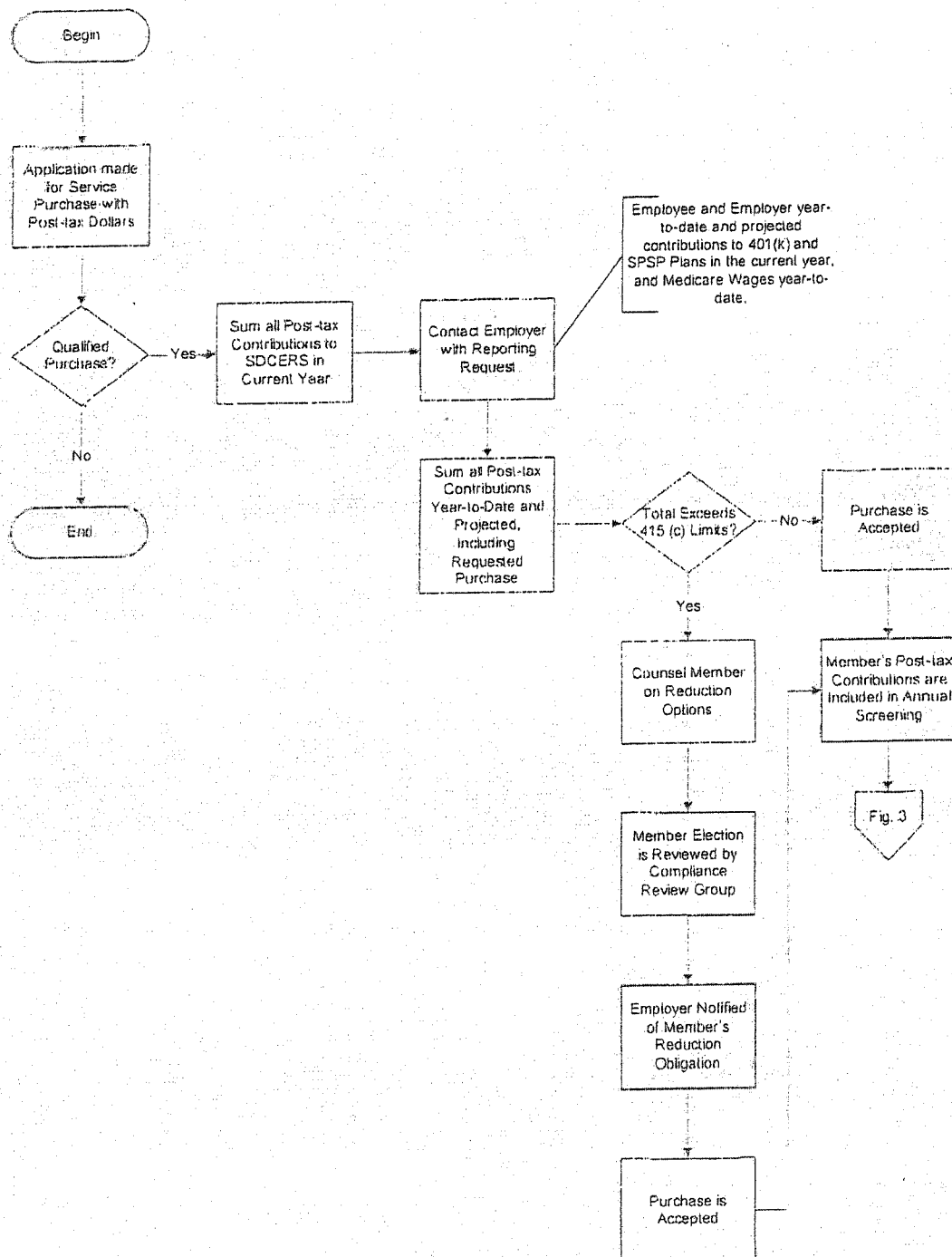



Figure 2

	Project: SDCERS Tax Compliance	Mary Anne Walker DRAFT 06/27/2006
	Document: 415(c) Operational Process	

2.1 Individual Application and Screening Process

When SDCERS is approached by an active member with a request to purchase service time using post-tax dollars, SDCERS must complete 415(c) screening prior to accepting the purchase.

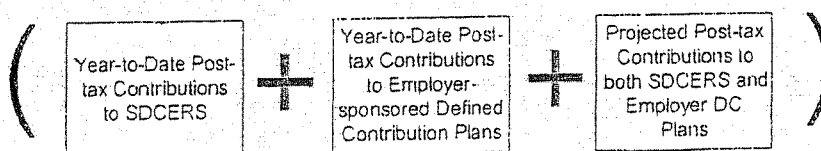
2.1.1 Aggregation of All Post-tax Annual Contributions

Step 1. Review and Qualify Application for Service Purchase

SDCERS' Member Services staff members will receive the request for service purchase from an active member, and determine whether or not the member is actually eligible to purchase the time requested.¹ If eligible to make the purchase, and the purchase is to be made with post-tax dollars for any type of service *other than permissive service credit*, the application is marked for 415(c) testing before the application and any funds have been accepted. For a detailed explanation of permissive service credit, please see the Ice Miller 415 report.

Step 2. Aggregation of Current Year Contributions

- Sum all year-to-date non-permissive service credit purchases, made with post-tax SDCERS contributions by the member.
- Contact the member's employer with a request for a report of the member's year-to-date after-tax contributions to 401(k) and SPSP plans. It is important that this report also indicate the *projected* contribution total for the current year, and that both employee and employer contributions are included. Further, the report must include the member's year-to-date Medicare wages.
- Assess the year-to-date total and projected current grand total of all post-tax contributions, including the requested service purchase.




2.1.2 Testing and Contribution Reduction

Step 3. Testing Against 415(c) Limits

- Compare the sum total of all year-to-date and projected post-tax contributions, as derived in Step 2 above, to the current year 415(c) limits. If the sum total is less

¹ This is done according to the existing process for processing service time.

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than the applicable 415(c) limit,² then the post-tax service purchase may be accepted by SDCERS.


- If the sum total is greater than the applicable limit, the member must be counseled on the need to reduce or stop his or her contributions to the employer's defined contribution plans in the current year. Reductions may also be necessary in the following year(s) if a long term service purchase contract is established with SDCERS.

$$\left(\begin{array}{|c|} \hline \text{Year-to-Date Post-tax Contributions to SDCERS} \\ \hline \end{array} \right) + \begin{array}{|c|} \hline \text{Year-to-Date Post-tax Contributions to Employer-sponsored Defined Contribution Plans} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Projected Post-tax Contributions to both SDCERS and Employer DC Plans} \\ \hline \end{array} \right) < \begin{array}{|c|} \hline \text{Lesser of 100\% of Compensation OR Current Contribution Limit as Set by IRS} \\ \hline \end{array}$$

Step 4. Contribution Reduction

- After counseling, if the member elects to make the SDCERS service purchase and reduce contributions to the employer's DC plans, a worksheet will be given to the member, and a copy forwarded to the employer.
- The worksheet will contain the following critical information:
 1. The applicable 415(c) limit for the current year
 2. Calculations indicating the amount that will exceed the limit, if the purchase is made
 3. Required reductions, according to the following priority:
 - First: 401(k) – excess contributions refunded to the member
 - Second: SPSP - voluntary contributions only
 - Third: SDCERS – purchase total reduced
 4. Total amount of service to be purchased, and the total amount in post tax dollars to be accepted by SDCERS.
 5. Member's signed acceptance of responsibility for notifying his or her employer of the necessary reduction(s) to the DC plans.

² For detailed information on how to determine which limit will apply, please see the Ice Miller 415 Strategy Report.

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2.2 Annual Screening Process

At the end of each calendar year, SDCERS will test all members from whom post-tax contributions were accepted during the year. In order to execute this test, it will be necessary to receive a data file from each of the plan sponsors. This information will be combined with post-tax contribution data from PensionGold, and analyzed. Any member found to have over-contributed during the year, will receive a refund of those excess contributions.

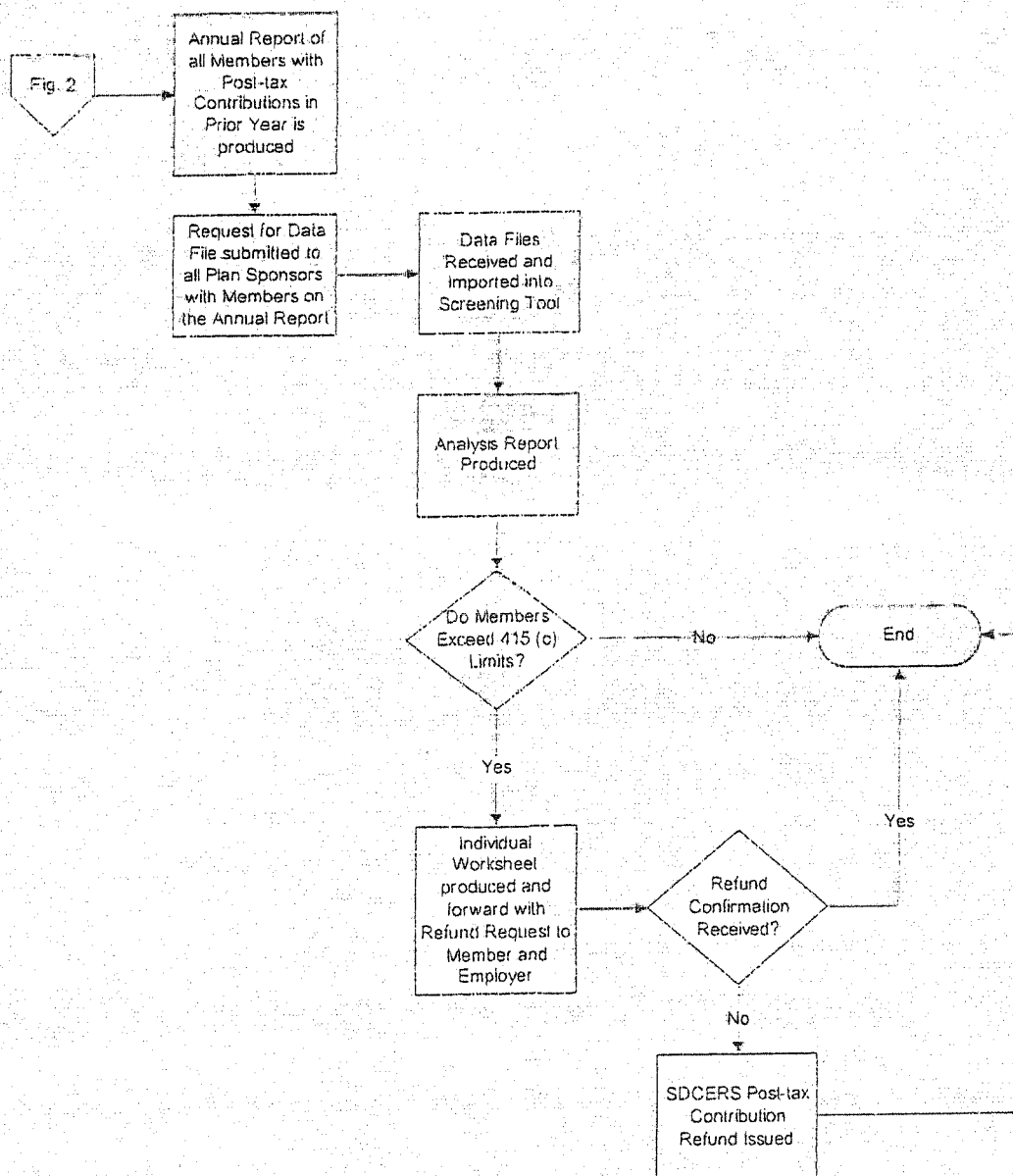



Figure 3

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	Document: 415(c) Operational Process	

2.2.1 Production of the Annual Report

In February of each year, the Member Services manager will produce the 415 (c) Annual Report for the previous calendar year, using the 415 Screening Tool. This report will provide a listing of all members with post-tax contributions during the previous year, along with the following information that will make it possible to request plan sponsor data:

- Name
- Employee ID or SSN
- Employer
- Total Post-tax Contributions
- 415(c) Limit (as determined at point of Service Purchase)
- Reduction Required Y/N (at the point of Service Purchase)

2.2.2 Receipt of Plan Sponsor Data

In February of each year, SDCERS will request a data file from each of its plan sponsors, to be used in 415(c) limit testing for the previous calendar year. This file must contain the following information for each of the SDCERS members requested:


- Name
- Employee ID or SSN
- Total Medicare Wages
- Total 401(k) Employee Contributions
- Total 401(k) Employer Contributions
- Total SPSP Employee Contributions
- Total SPSP Employer Contributions

When the plan sponsor's data files are received by SDCERS, they will be imported into the screening tool, and the 415(c) Annual Analysis report will be produced.

2.2.3 Production of the Annual Analysis Report

The Annual Analysis Report will return a detailed listing of all members with post-tax contributions to SDCERS in the calendar year selected by the user. The tool will use both PensionGold data and the plan sponsors' data files to determine whether the members listed have exceeded the 415(c) limit. The following information will be included for all members returned on this report:

- Name
- Employee ID or SSN

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- Employer
- Total Medicare Wages
- Total 401(k) Employee Contributions
- Total 401(k) Employer Contributions
- Total SPSP Employee Contributions
- Total SPSP Employer Contributions
- Total SDCERS Post-tax Contributions
- Grand Total Post-tax Contributions in All Plans
- 415(c) Limit
- Contribution Amount Exceeding Limit (if any)

2.2.4 Process to Return Excess Contributions

If any member on the Annual Analysis Report is found to have an amount exceeding his or her 415(c) limit, the Member Services manager will review that member's file. The file should contain the worksheet produced during the service purchase process. The file may then be referred to the Compliance Review Group for further review, as appropriate.

Step 1. Send Notification and Return of Contributions Request

Detailed communication and a completed worksheet will be sent to the member and the member's employer. This communication will clearly state the amount and source of excess contributions that must be returned to the member, according to the following priority:

First: 401(k) – excess contributions refunded to the member

Second: SPSP - voluntary contributions only

Third: SDCERS – purchase total reduced

Step 2. Receive Confirmation of Returned Contributions

This communication will include a request for confirmation of the returned contributions, once completed. If confirmation is not received within 120 days of the request, SDCERS will return the excess contributions from the member's SDCERS account, reducing service time accordingly.

Version Control

Version	Date	Changes from previous version
1.0	06/27/06	Initial Draft

Exhibit E

SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Amount Overpaid	Overpayments
								Rolled Forward to 6/30/2007
1	12/7/2004	9/7/1960	2005	100,278.49	NO	33,439.08	66,839.41	77,961.49
1	12/7/2004	9/7/1960	2006	100,278.49	NO	34,437.26	65,841.23	71,108.53
1	12/7/2004	9/7/1960	2007	100,278.49	NO	35,435.44	64,843.05	64,843.05
2	12/31/2005	12/2/1948	2006	204,988.17	NO	106,719.02	98,269.15	106,130.68
2	12/31/2005	12/2/1948	2007	204,988.17	NO	109,812.32	95,175.85	95,175.85
3	11/5/2004	11/5/1949	2005	143,700.01	NO	85,368.35	58,331.66	68,038.05
3	11/5/2004	11/5/1949	2006	143,700.01	NO	87,916.66	55,783.35	60,246.02
3	11/5/2004	11/5/1949	2007	143,700.01	NO	90,464.97	53,235.04	53,235.04
4	4/27/2005	3/19/1945	2005	251,414.37	NO	138,674.31	112,740.06	131,500.01
4	4/27/2005	3/19/1945	2006	251,414.37	NO	142,813.84	108,600.53	117,288.58
4	4/27/2005	3/19/1945	2007	251,414.37	NO	146,953.37	104,461.00	104,461.00
5	4/22/2004	2/25/1947	2004	172,743.70	NO	101,303.37	71,440.33	89,994.24
5	4/22/2004	2/25/1947	2005	172,743.70	NO	104,420.40	68,323.30	79,692.30
5	4/22/2004	2/25/1947	2006	172,743.70	NO	107,537.43	65,206.27	70,422.77
5	4/22/2004	2/25/1947	2007	172,743.70	NO	110,654.45	62,089.25	62,089.25
6	11/4/2004	8/31/1948	2005	148,155.91	NO	95,257.51	52,898.40	61,700.69
6	11/4/2004	8/31/1948	2006	148,155.91	NO	98,101.02	50,054.89	54,059.28
6	11/4/2004	8/31/1948	2007	148,155.91	NO	100,944.53	47,211.38	47,211.38
7	2/3/2006	11/11/1945	2006	221,407.84	NO	144,611.94	76,795.90	82,939.57
7	2/3/2006	11/11/1945	2007	221,407.84	NO	148,803.59	72,604.25	72,604.25
8	7/20/2002	3/29/1947	2003	111,348.22	NO	83,668.56	27,679.66	37,657.88
8	7/20/2002	3/29/1947	2004	111,348.22	NO	85,290.18	26,058.04	32,825.63
8	7/20/2002	3/29/1947	2005	111,348.22	NO	87,914.50	23,433.72	27,333.09
8	7/20/2002	3/29/1947	2006	111,348.22	NO	90,538.81	20,809.41	22,474.17
8	7/20/2002	3/29/1947	2007	111,348.22	NO	93,163.13	18,185.09	18,185.09
9	12/18/2004	10/8/1949	2005	120,209.72	NO	86,974.03	33,235.69	38,766.11
9	12/18/2004	10/8/1949	2006	120,209.72	NO	89,570.27	30,639.45	33,090.60
9	12/18/2004	10/8/1949	2007	120,209.72	NO	92,166.51	28,043.21	28,043.21
10	10/11/2003	2/17/1948	2004	133,200.92	NO	88,027.37	45,173.55	56,905.66
10	10/11/2003	2/17/1948	2005	133,200.92	NO	90,735.91	42,465.01	49,531.19
10	10/11/2003	2/17/1948	2006	133,200.92	NO	93,444.44	39,756.48	42,937.00
10	10/11/2003	2/17/1948	2007	133,200.92	NO	96,152.98	37,047.94	37,047.94
11	2/12/2005	9/11/1949	2005	120,870.33	NO	88,832.03	32,038.30	37,369.47
11	2/12/2005	9/11/1949	2006	120,870.33	NO	91,483.73	29,386.60	31,737.53
11	2/12/2005	9/11/1949	2007	120,870.33	NO	94,135.44	26,734.89	26,734.89
12	12/16/2003	10/23/1946	2004	139,661.73	NO	101,193.23	38,468.50	48,459.23
12	12/16/2003	10/23/1946	2005	139,661.73	NO	104,306.87	35,354.86	41,237.90
12	12/16/2003	10/23/1946	2006	139,661.73	NO	107,420.51	32,241.22	34,820.51
12	12/16/2003	10/23/1946	2007	139,661.73	NO	110,534.15	29,127.58	29,127.58
13	4/15/2005	7/18/1948	2005	122,896.21	NO	100,432.04	22,464.17	26,202.20
13	4/15/2005	7/18/1948	2006	122,896.21	NO	103,430.01	19,466.20	21,023.49
13	4/15/2005	7/18/1948	2007	122,896.21	NO	106,427.98	16,468.23	16,468.23
14	1/17/2006	1/16/1951	2006	104,313.92	NO	87,940.28	16,373.64	17,683.53
14	1/17/2006	1/16/1951	2007	104,313.92	NO	90,489.27	13,824.65	13,824.65
15	3/31/2001	3/15/1946	2001	97,267.59	NO	75,000.00	22,267.59	35,335.87
15	3/31/2001	3/15/1946	2002	97,267.59	NO	78,134.72	19,132.87	28,112.47
15	3/31/2001	3/15/1946	2003	97,267.59	NO	81,582.95	15,684.64	21,338.78
15	3/31/2001	3/15/1946	2004	97,267.59	NO	83,176.09	14,091.50	17,751.24
15	3/31/2001	3/15/1946	2005	97,267.59	NO	85,735.36	11,532.23	13,451.20
15	3/31/2001	3/15/1946	2006	97,267.59	NO	88,294.62	8,972.97	9,690.81
15	3/31/2001	3/15/1946	2007	97,267.59	NO	90,853.89	6,413.70	6,413.70
16	3/9/2006	7/28/1947	2006	161,972.60	NO	123,600.91	38,371.69	41,441.42
16	3/9/2006	7/28/1947	2007	161,972.60	NO	127,183.55	34,789.05	34,789.05
17	9/28/2005	9/28/1950	2006	106,276.42	NO	87,916.66	18,359.76	19,828.54
17	9/28/2005	9/28/1950	2007	106,276.42	NO	90,464.97	15,811.45	15,811.45

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SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Amount Overpaid	Overpayments
								Rolled Forward to 6/30/2007
18	7/24/2002	3/1/1947	2003	95,574.83	NO	84,371.08	11,203.75	15,242.58
18	7/24/2002	3/1/1947	2004	95,574.83	NO	86,002.30	9,572.53	12,058.63
18	7/24/2002	3/1/1947	2005	95,574.83	NO	88,648.52	6,926.31	8,078.85
18	7/24/2002	3/1/1947	2006	95,574.83	NO	91,294.75	4,280.08	4,622.49
18	7/24/2002	3/1/1947	2007	95,574.83	NO	93,940.97	1,633.86	1,633.86
19	12/31/2005	1/22/1951	2006	206,212.15	YES	172,500.00	33,712.15	36,409.12
19	12/31/2005	1/22/1951	2007	206,212.15	YES	177,500.00	28,712.15	28,712.15
20	4/22/2004	3/2/1945	2004	142,331.77	NO	122,423.35	19,908.42	25,078.87
20	4/22/2004	3/2/1945	2005	142,331.77	NO	126,190.22	16,141.55	18,827.50
20	4/22/2004	3/2/1945	2006	142,331.77	NO	129,957.09	12,374.68	13,364.65
20	4/22/2004	3/2/1945	2007	142,331.77	NO	133,723.96	8,607.81	8,607.81
21	5/28/2003	9/29/1947	2003	103,988.00	NO	86,478.65	17,509.35	23,821.27
21	5/28/2003	9/29/1947	2004	103,988.00	NO	88,138.64	15,849.36	19,965.62
21	5/28/2003	9/29/1947	2005	103,988.00	NO	90,850.60	13,137.40	15,323.46
21	5/28/2003	9/29/1947	2006	103,988.00	NO	93,562.56	10,425.44	11,259.47
21	5/28/2003	9/29/1947	2007	103,988.00	NO	96,274.52	7,713.48	7,713.48
22	4/22/2004	6/3/1945	2004	141,133.95	NO	119,446.29	21,687.66	27,320.20
22	4/22/2004	6/3/1945	2005	141,133.95	NO	123,121.56	18,012.39	21,009.65
22	4/22/2004	6/3/1945	2006	141,133.95	NO	126,796.83	14,337.12	15,484.09
22	4/22/2004	6/3/1945	2007	141,133.95	NO	130,472.10	10,661.85	10,661.85
23	12/31/2005	7/10/1948	2006	121,744.43	NO	110,869.53	10,874.90	11,744.89
23	12/31/2005	7/10/1948	2007	121,744.43	NO	114,083.14	7,661.29	7,661.29
24	7/17/2004	1/12/1946	2005	145,796.29	NO	118,878.30	26,917.99	31,397.14
24	7/17/2004	1/12/1946	2006	145,796.29	NO	122,426.91	23,369.38	25,238.93
24	7/17/2004	1/12/1946	2007	145,796.29	NO	125,975.51	19,820.78	19,820.78
25	1/29/2005	9/23/1949	2005	96,103.68	NO	88,258.57	7,845.11	9,150.54
25	1/29/2005	9/23/1949	2006	96,103.68	NO	90,893.16	5,210.52	5,627.36
25	1/29/2005	9/23/1949	2007	96,103.68	NO	93,527.74	2,575.94	2,575.94
26	9/16/2005	6/8/1950	2006	98,249.13	NO	90,231.71	8,017.42	8,658.82
26	9/16/2005	6/8/1950	2007	98,249.13	NO	92,847.12	5,402.01	5,402.01
27	5/1/2004	3/24/1949	2004	183,241.09	YES	162,500.00	20,741.09	26,127.80
27	5/1/2004	3/24/1949	2005	183,241.09	YES	167,500.00	15,741.09	18,360.41
27	5/1/2004	3/24/1949	2006	183,241.09	YES	172,500.00	10,741.09	11,600.38
27	5/1/2004	3/24/1949	2007	183,241.09	YES	177,500.00	5,741.09	5,741.09
28	1/1/2005	4/15/1949	2005	99,632.64	NO	91,240.55	8,392.09	9,788.54
28	1/1/2005	4/15/1949	2006	99,632.64	NO	93,964.15	5,668.49	6,121.97
28	1/1/2005	4/15/1949	2007	99,632.64	NO	96,687.75	2,944.89	2,944.89
29	6/5/2004	8/7/1946	2004	173,770.01	YES	162,500.00	11,270.01	14,196.97
29	6/5/2004	8/7/1946	2005	173,770.01	YES	167,500.00	6,270.01	7,313.34
29	6/5/2004	8/7/1946	2006	173,770.01	YES	172,500.00	1,270.01	1,371.61
29	6/5/2004	8/7/1946	2007	173,770.01	YES	177,500.00	-	-
30	7/6/2002	12/13/1946	2003	91,561.59	NO	85,688.31	5,873.28	7,990.53
30	7/6/2002	12/13/1946	2004	91,561.59	NO	87,337.51	4,224.08	5,321.12
30	7/6/2002	12/13/1946	2005	91,561.59	NO	90,024.82	1,536.77	1,792.49
30	7/6/2002	12/13/1946	2006	91,561.59	NO	92,712.13	-	-
30	7/6/2002	12/13/1946	2007	91,561.59	NO	95,399.44	-	-
31	10/13/2004	10/12/1949	2005	90,492.17	NO	85,391.28	5,100.89	5,949.68
31	10/13/2004	10/12/1949	2006	90,492.17	NO	87,940.28	2,551.89	2,756.04
31	10/13/2004	10/12/1949	2007	90,492.17	NO	90,489.27	2.90	2.90
32	9/17/2001	6/13/1943	2002	106,181.46	NO	92,662.33	13,519.13	19,864.04
32	9/17/2001	6/13/1943	2003	106,181.46	NO	110,563.73	-	-
32	9/17/2001	6/13/1943	2004	106,181.46	NO	112,534.10	-	-
32	9/17/2001	6/13/1943	2005	106,181.46	NO	115,996.69	-	-
32	9/17/2001	6/13/1943	2006	106,181.46	NO	119,459.28	-	-
32	9/17/2001	6/13/1943	2007	106,181.46	NO	122,921.86	-	-
33	6/29/2005	5/13/1947	2005	169,585.61	YES	167,500.00	2,085.61	2,432.66
33	6/29/2005	5/13/1947	2006	169,585.61	YES	172,500.00	-	-
33	6/29/2005	5/13/1947	2007	169,585.61	YES	177,500.00	-	-

SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Overpayments	
							Amount Overpaid	Rolled Forward to 6/30/2007
34	6/28/2003	10/30/1946	2003	96,544.86	NO	94,944.10	1,600.76	2,177.82
34	6/28/2003	10/30/1946	2004	96,544.86	NO	96,716.92	-	-
34	6/28/2003	10/30/1946	2005	96,544.86	NO	99,692.82	-	-
34	6/28/2003	10/30/1946	2006	96,544.86	NO	102,668.73	-	-
34	6/28/2003	10/30/1946	2007	96,544.86	NO	105,644.63	-	-
35	9/1/2004	1/20/1945	2005	172,234.34	YES	167,500.00	4,734.34	5,522.14
35	9/1/2004	1/20/1945	2006	172,234.34	YES	172,500.00	-	-
35	9/1/2004	1/20/1945	2007	172,234.34	YES	177,500.00	-	-
36	4/8/2006	1/3/1949	2006	110,937.20	NO	108,648.13	2,289.07	2,472.20
36	4/8/2006	1/3/1949	2007	110,937.20	NO	111,797.35	-	-
37	3/1/2002	10/21/1950	2002	153,216.61	YES	150,000.00	3,216.61	4,726.26
37	3/1/2002	10/21/1950	2003	153,216.61	YES	160,000.00	-	-
37	3/1/2002	10/21/1950	2004	153,216.61	YES	162,500.00	-	-
37	3/1/2002	10/21/1950	2005	153,216.61	YES	167,500.00	-	-
37	3/1/2002	10/21/1950	2006	153,216.61	YES	172,500.00	-	-
37	3/1/2002	10/21/1950	2007	153,216.61	YES	177,500.00	-	-
38	2/2/2001	8/23/1944	2001	191,776.47	NO	75,000.00	116,776.47	185,309.58
38	2/2/2001	8/23/1944	2002	191,776.47	NO	83,863.19	107,913.28	158,560.01
38	2/2/2001	8/23/1944	2003	191,776.47	NO	93,015.89	98,760.58	134,362.68
38	2/2/2001	8/23/1944	2004	191,776.47	NO	94,763.30	97,013.17	122,208.65
38	2/2/2001	8/23/1944	2005	191,776.47	NO	97,679.09	94,097.38	109,755.18
38	2/2/2001	8/23/1944	2006	191,776.47	NO	100,594.88	91,181.59	98,476.12
38	2/2/2001	8/23/1944	2007	191,776.47	NO	103,510.68	88,265.79	88,265.79
39	7/29/2005	7/28/1969	2006	25,959.19	NO	17,473.83	8,485.36	9,164.19
39	7/29/2005	7/28/1969	2007	25,959.19	NO	17,980.32	7,978.87	7,978.87
40	7/6/1991	3/1/1931	1992	101,639.80	NO	75,000.00	26,639.80	84,505.96
40	7/6/1991	3/1/1931	1993	101,639.80	NO	75,000.00	26,639.80	78,246.26
40	7/6/1991	3/1/1931	1994	101,639.80	NO	75,016.94	26,622.86	72,404.17
40	7/6/1991	3/1/1931	1995	101,639.80	NO	75,165.57	26,474.23	66,666.62
40	7/6/1991	3/1/1931	1996	101,639.80	NO	75,297.26	26,342.54	61,421.30
40	7/6/1991	3/1/1931	1997	101,639.80	NO	75,845.99	25,793.81	55,686.91
40	7/6/1991	3/1/1931	1998	101,639.80	NO	76,943.45	24,696.35	49,368.12
40	7/6/1991	3/1/1931	1999	101,639.80	NO	77,492.18	24,147.62	44,695.56
40	7/6/1991	3/1/1931	2000	101,639.80	NO	78,758.31	22,881.49	39,214.86
40	7/6/1991	3/1/1931	2001	101,639.80	NO	81,506.37	20,133.43	31,949.23
40	7/6/1991	3/1/1931	2002	101,639.80	NO	109,239.70	-	-
40	7/6/1991	3/1/1931	2003	101,639.80	NO	135,626.91	-	-
40	7/6/1991	3/1/1931	2004	101,639.80	NO	137,884.00	-	-
40	7/6/1991	3/1/1931	2005	101,639.80	NO	142,126.59	-	-
40	7/6/1991	3/1/1931	2006	101,639.80	NO	146,369.17	-	-
40	7/6/1991	3/1/1931	2007	101,639.80	NO	150,611.76	-	-
41	1/5/1993	11/1/1938	1993	119,672.64	YES	113,931.00	5,741.64	16,864.32
41	1/5/1993	11/1/1938	1994	119,672.64	YES	117,220.50	2,452.14	6,668.91
41	1/5/1993	11/1/1938	1995	119,672.64	YES	119,400.00	272.64	686.56
41	1/5/1993	11/1/1938	1996	119,672.64	YES	120,000.00	-	-
41	1/5/1993	11/1/1938	1997	119,672.64	YES	122,500.00	-	-
41	1/5/1993	11/1/1938	1998	119,672.64	YES	127,500.00	-	-
41	1/5/1993	11/1/1938	1999	119,672.64	YES	130,000.00	-	-
41	1/5/1993	11/1/1938	2000	119,672.64	YES	132,500.00	-	-
41	1/5/1993	11/1/1938	2001	119,672.64	YES	137,500.00	-	-
41	1/5/1993	11/1/1938	2002	119,672.64	YES	150,000.00	-	-
41	1/5/1993	11/1/1938	2003	119,672.64	YES	160,000.00	-	-
41	1/5/1993	11/1/1938	2004	119,672.64	YES	162,500.00	-	-
41	1/5/1993	11/1/1938	2005	119,672.64	YES	167,500.00	-	-
41	1/5/1993	11/1/1938	2006	119,672.64	YES	172,500.00	-	-
41	1/5/1993	11/1/1938	2007	119,672.64	YES	177,500.00	-	-
42	4/24/2006	4/24/1951	2006	105,898.31	NO	87,916.66	17,981.65	19,420.18
42	4/24/2006	4/24/1951	2007	105,898.31	NO	90,464.97	15,433.34	15,433.34
43	7/26/2005	12/24/1969	2006	17,727.21	NO	14,976.18	2,751.03	2,971.11
43	7/26/2005	12/24/1969	2007	17,727.21	NO	15,410.27	2,316.94	2,316.94
44	6/30/2006	5/9/1951	2006	101,307.38	NO	89,121.43	12,185.95	13,160.83
44	6/30/2006	5/9/1951	2007	101,307.38	NO	91,704.66	9,602.72	9,602.72

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SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Overpayments Rolled	
							Amount Overpaid	Forward to 6/30/2007
45	10/3/1998	10/1/1940	1999	100,076.96	NO	75,000.00	25,076.96	46,415.70
45	10/3/1998	10/1/1940	2000	100,076.96	NO	75,000.00	25,076.96	42,977.50
45	10/3/1998	10/1/1940	2001	100,076.96	NO	75,000.00	25,076.96	39,793.98
45	10/3/1998	10/1/1940	2002	100,076.96	NO	91,261.12	8,815.84	12,953.36
45	10/3/1998	10/1/1940	2003	100,076.96	NO	107,771.10	-	-
45	10/3/1998	10/1/1940	2004	100,076.96	NO	109,707.79	-	-
45	10/3/1998	10/1/1940	2005	100,076.96	NO	113,083.41	-	-
45	10/3/1998	10/1/1940	2006	100,076.96	NO	116,459.03	-	-
45	10/3/1998	10/1/1940	2007	100,076.96	NO	119,834.66	-	-
46	12/7/1999	1/1/1940	2000	190,291.55	YES	132,500.00	57,791.55	99,044.57
46	12/7/1999	1/1/1940	2001	190,291.55	YES	137,500.00	52,791.55	83,773.56
46	12/7/1999	1/1/1940	2002	190,291.55	YES	150,000.00	40,291.55	59,201.51
46	12/7/1999	1/1/1940	2003	190,291.55	YES	160,000.00	30,291.55	41,211.32
46	12/7/1999	1/1/1940	2004	190,291.55	YES	162,500.00	27,791.55	35,009.35
46	12/7/1999	1/1/1940	2005	190,291.55	YES	167,500.00	22,791.55	26,584.07
46	12/7/1999	1/1/1940	2006	190,291.55	YES	172,500.00	17,791.55	19,214.88
46	12/7/1999	1/1/1940	2007	190,291.55	YES	177,500.00	12,791.55	12,791.55
47	4/1/2002	10/1/1937	2002	224,292.57	YES	150,000.00	74,292.57	109,160.16
47	4/1/2002	10/1/1937	2003	224,292.57	YES	160,000.00	64,292.57	87,469.33
47	4/1/2002	10/1/1937	2004	224,292.57	YES	162,500.00	61,792.57	77,840.84
47	4/1/2002	10/1/1937	2005	224,292.57	YES	167,500.00	56,792.57	66,242.85
47	4/1/2002	10/1/1937	2006	224,292.57	YES	172,500.00	51,792.57	55,935.98
47	4/1/2002	10/1/1937	2007	224,292.57	YES	177,500.00	46,792.57	46,792.57
48	9/1/2005	9/1/1950	2006	95,667.92	NO	87,916.66	7,751.26	8,371.36
48	9/1/2005	9/1/1950	2007	95,667.92	NO	90,464.97	5,202.95	5,202.95
49	7/6/2000	12/1/1943	2001	100,746.23	NO	75,000.00	25,746.23	40,856.03
49	7/6/2000	12/1/1943	2002	100,746.23	NO	84,548.26	16,197.97	23,800.13
49	7/6/2000	12/1/1943	2003	100,746.23	NO	94,382.73	6,363.50	8,657.47
49	7/6/2000	12/1/1943	2004	100,746.23	NO	96,148.14	4,598.09	5,792.27
49	7/6/2000	12/1/1943	2005	100,746.23	NO	99,106.55	1,639.68	1,912.52
49	7/6/2000	12/1/1943	2006	100,746.23	NO	102,064.95	-	-
49	7/6/2000	12/1/1943	2007	100,746.23	NO	105,023.36	-	-
50	10/6/2004	10/6/1949	2005	88,940.14	NO	85,368.35	3,571.79	4,166.13
50	10/6/2004	10/6/1949	2006	88,940.14	NO	87,916.66	1,023.48	1,105.36
50	10/6/2004	10/6/1949	2007	88,940.14	NO	90,464.97	-	-
51	12/31/2005	9/15/1949	2006	119,781.31	NO	99,203.57	20,577.74	22,223.96
51	12/31/2005	9/15/1949	2007	119,781.31	NO	102,079.04	17,702.27	17,702.27
52	5/21/2000	5/21/1945	2000	88,947.16	NO	75,000.00	13,947.16	23,902.98
52	5/21/2000	5/21/1945	2001	88,947.16	NO	75,000.00	13,947.16	22,132.39
52	5/21/2000	5/21/1945	2002	88,947.16	NO	77,958.75	10,988.41	16,145.57
52	5/21/2000	5/21/1945	2003	88,947.16	NO	81,231.69	7,715.47	10,496.81
52	5/21/2000	5/21/1945	2004	88,947.16	NO	82,820.04	6,127.12	7,718.40
52	5/21/2000	5/21/1945	2005	88,947.16	NO	85,368.35	3,578.81	4,174.32
52	5/21/2000	5/21/1945	2006	88,947.16	NO	87,916.66	1,030.50	1,112.94
52	5/21/2000	5/21/1945	2007	88,947.16	NO	90,464.97	-	-
53	3/26/2004	2/20/1947	2004	104,608.45	NO	100,725.14	3,883.31	4,891.86
53	3/26/2004	2/20/1947	2005	104,608.45	NO	103,824.38	784.07	914.54
53	3/26/2004	2/20/1947	2006	104,608.45	NO	106,923.62	-	-
53	3/26/2004	2/20/1947	2007	104,608.45	NO	110,022.85	-	-

SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Overpayments	
							Amount Overpaid	Rolled Forward to 6/30/2007
54	12/31/1997	6/1/1941	1998	83,678.77	NO	75,000.00	8,678.77	17,348.91
54	12/31/1997	6/1/1941	1999	83,678.77	NO	75,000.00	8,678.77	16,063.81
54	12/31/1997	6/1/1941	2000	83,678.77	NO	75,000.00	8,678.77	14,873.89
54	12/31/1997	6/1/1941	2001	83,678.77	NO	75,000.00	8,678.77	13,772.12
54	12/31/1997	6/1/1941	2002	83,678.77	NO	84,487.09	-	-
54	12/31/1997	6/1/1941	2003	83,678.77	NO	94,260.69	-	-
54	12/31/1997	6/1/1941	2004	83,678.77	NO	96,024.49	-	-
54	12/31/1997	6/1/1941	2005	83,678.77	NO	98,979.10	-	-
54	12/31/1997	6/1/1941	2006	83,678.77	NO	101,933.70	-	-
54	12/31/1997	6/1/1941	2007	83,678.77	NO	104,888.30	-	-
55	4/1/2002	6/18/1935	2002	242,226.86	NO	163,145.65	79,081.21	116,196.25
55	4/1/2002	6/18/1935	2003	242,226.86	NO	187,425.39	54,801.47	74,556.80
55	4/1/2002	6/18/1935	2004	242,226.86	NO	189,985.10	52,241.76	65,809.58
55	4/1/2002	6/18/1935	2005	242,226.86	NO	195,830.80	46,396.06	54,116.37
55	4/1/2002	6/18/1935	2006	242,226.86	NO	201,676.50	40,550.36	43,794.39
55	4/1/2002	6/18/1935	2007	242,226.86	NO	207,522.19	34,704.67	34,704.67
56	9/9/2005	8/14/1947	2006	120,271.09	NO	117,209.09	3,062.00	3,306.96
56	9/9/2005	8/14/1947	2007	120,271.09	NO	120,606.46	-	-
57	6/17/2006	4/24/1949	2006	123,231.56	NO	107,420.51	15,811.05	17,075.93
57	6/17/2006	4/24/1949	2007	123,231.56	NO	110,534.15	12,697.41	12,697.41
58	2/3/1998	1/1/1943	1998	139,783.57	YES	127,500.00	12,283.57	24,554.90
58	2/3/1998	1/1/1943	1999	139,783.57	YES	130,000.00	9,783.57	18,108.70
58	2/3/1998	1/1/1943	2000	139,783.57	YES	132,500.00	7,283.57	12,482.75
58	2/3/1998	1/1/1943	2001	139,783.57	YES	137,500.00	2,283.57	3,623.73
58	2/3/1998	1/1/1943	2002	139,783.57	YES	150,000.00	-	-
58	2/3/1998	1/1/1943	2003	139,783.57	YES	160,000.00	-	-
58	2/3/1998	1/1/1943	2004	139,783.57	YES	162,500.00	-	-
58	2/3/1998	1/1/1943	2005	139,783.57	YES	167,500.00	-	-
58	2/3/1998	1/1/1943	2006	139,783.57	YES	172,500.00	-	-
58	2/3/1998	1/1/1943	2007	139,783.57	YES	177,500.00	-	-
59	12/17/2005	2/27/1947	2006	129,832.62	NO	125,851.10	3,981.52	4,300.04
59	12/17/2005	2/27/1947	2007	129,832.62	NO	129,498.95	333.67	333.67
60	2/25/1997	11/1/1935	1997	90,547.71	NO	80,069.08	10,478.63	22,622.58
60	2/25/1997	11/1/1935	1998	90,547.71	NO	83,337.21	7,210.50	14,413.83
60	2/25/1997	11/1/1935	1999	90,547.71	NO	84,971.27	5,576.44	10,321.61
60	2/25/1997	11/1/1935	2000	90,547.71	NO	86,605.33	3,942.38	6,756.55
60	2/25/1997	11/1/1935	2001	90,547.71	NO	89,873.46	674.25	1,069.95
60	2/25/1997	11/1/1935	2002	90,547.71	NO	120,453.78	-	-
60	2/25/1997	11/1/1935	2003	90,547.71	NO	149,462.36	-	-
60	2/25/1997	11/1/1935	2004	90,547.71	NO	151,861.02	-	-
60	2/25/1997	11/1/1935	2005	90,547.71	NO	156,533.67	-	-
60	2/25/1997	11/1/1935	2006	90,547.71	NO	161,206.31	-	-
60	2/25/1997	11/1/1935	2007	90,547.71	NO	165,878.96	-	-
61	5/25/2005	3/31/1943	2005	186,937.92	NO	167,500.00	19,437.92	22,672.39
61	5/25/2005	3/31/1943	2006	186,937.92	NO	172,500.00	14,437.92	15,592.95
61	5/25/2005	3/31/1943	2007	186,937.92	NO	177,500.00	9,437.92	9,437.92
62	1/6/1995	12/7/1929	1995	151,349.77	NO	107,940.92	43,408.85	109,310.88
62	1/6/1995	12/7/1929	1996	151,349.77	NO	108,483.33	42,866.44	99,949.07
62	1/6/1995	12/7/1929	1997	151,349.77	NO	110,743.40	40,606.37	87,666.11
62	1/6/1995	12/7/1929	1998	151,349.77	NO	115,263.54	36,086.23	72,136.55
62	1/6/1995	12/7/1929	1999	151,349.77	NO	117,523.61	33,826.16	62,609.87
62	1/6/1995	12/7/1929	2000	151,349.77	NO	119,783.68	31,566.09	54,098.74
62	1/6/1995	12/7/1929	2001	151,349.77	NO	124,303.82	27,045.95	42,918.53
62	1/6/1995	12/7/1929	2002	151,349.77	NO	143,875.83	7,473.94	10,981.67
62	1/6/1995	12/7/1929	2003	151,349.77	NO	161,173.47	-	-
62	1/6/1995	12/7/1929	2004	151,349.77	NO	163,677.28	-	-
62	1/6/1995	12/7/1929	2005	151,349.77	NO	168,713.50	-	-
62	1/6/1995	12/7/1929	2006	151,349.77	NO	173,749.72	-	-
62	1/6/1995	12/7/1929	2007	151,349.77	NO	178,785.95	-	-

SDCERS Retroactive 415 Testing for VCP (2007)

							Overpayments	
							Rolled	
Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Amount Overpaid	Forward to 6/30/2007
63	4/1/1997	7/1/1941	1997	78,022.97	NO	75,000.00	3,022.97	6,526.36
63	4/1/1997	7/1/1941	1998	78,022.97	NO	75,000.00	3,022.97	6,042.92
63	4/1/1997	7/1/1941	1999	78,022.97	NO	75,000.00	3,022.97	5,595.30
63	4/1/1997	7/1/1941	2000	78,022.97	NO	75,000.00	3,022.97	5,180.83
63	4/1/1997	7/1/1941	2001	78,022.97	NO	75,000.00	3,022.97	4,797.07
63	4/1/1997	7/1/1941	2002	78,022.97	NO	80,928.26	-	-
63	4/1/1997	7/1/1941	2003	78,022.97	NO	87,159.22	-	-
63	4/1/1997	7/1/1941	2004	78,022.97	NO	88,828.50	-	-
63	4/1/1997	7/1/1941	2005	78,022.97	NO	91,561.69	-	-
63	4/1/1997	7/1/1941	2006	78,022.97	NO	94,294.87	-	-
63	4/1/1997	7/1/1941	2007	78,022.97	NO	97,028.06	-	-
64	12/31/2005	7/12/1948	2006	117,869.69	NO	110,811.07	7,058.62	7,623.31
64	12/31/2005	7/12/1948	2007	117,869.69	NO	114,022.99	3,846.70	3,846.70
65	9/2/2005	3/25/1950	2006	188,639.83	YES	172,500.00	16,139.83	17,431.02
65	9/2/2005	3/25/1950	2007	188,639.83	YES	177,500.00	11,139.83	11,139.83
66	4/12/2003	4/1/1943	2003	161,907.48	YES	160,000.00	1,907.48	2,595.11
66	4/12/2003	4/1/1943	2004	161,907.48	YES	162,500.00	-	-
66	4/12/2003	4/1/1943	2005	161,907.48	YES	167,500.00	-	-
66	4/12/2003	4/1/1943	2006	161,907.48	YES	172,500.00	-	-
66	4/12/2003	4/1/1943	2007	161,907.48	YES	177,500.00	-	-
67	6/30/2004	8/6/1946	2004	164,671.97	YES	162,500.00	2,171.97	2,736.05
67	6/30/2004	8/6/1946	2005	164,671.97	YES	167,500.00	-	-
67	6/30/2004	8/6/1946	2006	164,671.97	YES	172,500.00	-	-
67	6/30/2004	8/6/1946	2007	164,671.97	YES	177,500.00	-	-
68	4/18/2006	3/10/1945	2006	193,659.75	NO	157,717.20	35,942.55	38,817.95
68	4/18/2006	3/10/1945	2007	193,659.75	NO	162,288.72	31,371.03	31,371.03
69	10/4/1997	4/1/1933	1998	131,743.67	NO	110,570.83	21,172.84	42,324.60
69	10/4/1997	4/1/1933	1999	131,743.67	NO	112,738.89	19,004.78	35,176.52
69	10/4/1997	4/1/1933	2000	131,743.67	NO	114,906.94	16,836.73	28,855.20
69	10/4/1997	4/1/1933	2001	131,743.67	NO	119,243.06	12,500.61	19,836.90
69	10/4/1997	4/1/1933	2002	131,743.67	NO	140,705.56	-	-
69	10/4/1997	4/1/1933	2003	131,743.67	NO	160,000.00	-	-
69	10/4/1997	4/1/1933	2004	131,743.67	NO	162,500.00	-	-
69	10/4/1997	4/1/1933	2005	131,743.67	NO	167,500.00	-	-
69	10/4/1997	4/1/1933	2006	131,743.67	NO	172,500.00	-	-
69	10/4/1997	4/1/1933	2007	131,743.67	NO	177,500.00	-	-
70	3/30/2002	2/1/1943	2002	168,017.97	YES	150,000.00	18,017.97	26,474.31
70	3/30/2002	2/1/1943	2003	168,017.97	YES	160,000.00	8,017.97	10,908.36
70	3/30/2002	2/1/1943	2004	168,017.97	YES	162,500.00	5,517.97	6,951.05
70	3/30/2002	2/1/1943	2005	168,017.97	YES	167,500.00	517.97	604.16
70	3/30/2002	2/1/1943	2006	168,017.97	YES	172,500.00	-	-
70	3/30/2002	2/1/1943	2007	168,017.97	YES	177,500.00	-	-
71	10/26/1999	10/26/1944	2000	77,197.79	NO	75,000.00	2,197.79	3,766.62
71	10/26/1999	10/26/1944	2001	77,197.79	NO	75,000.00	2,197.79	3,487.61
71	10/26/1999	10/26/1944	2002	77,197.79	NO	77,958.75	-	-
71	10/26/1999	10/26/1944	2003	77,197.79	NO	81,231.69	-	-
71	10/26/1999	10/26/1944	2004	77,197.79	NO	82,820.04	-	-
71	10/26/1999	10/26/1944	2005	77,197.79	NO	85,368.35	-	-
71	10/26/1999	10/26/1944	2006	77,197.79	NO	87,916.66	-	-
71	10/26/1999	10/26/1944	2007	77,197.79	NO	90,464.97	-	-
72	1/9/1996	7/1/1933	1996	106,200.77	NO	88,177.78	18,022.99	42,023.10
72	1/9/1996	7/1/1933	1997	106,200.77	NO	90,014.81	16,185.96	34,944.27
72	1/9/1996	7/1/1933	1998	106,200.77	NO	93,688.89	12,511.88	25,011.30
72	1/9/1996	7/1/1933	1999	106,200.77	NO	95,525.93	10,674.84	19,758.38
72	1/9/1996	7/1/1933	2000	106,200.77	NO	97,362.96	8,837.81	15,146.45
72	1/9/1996	7/1/1933	2001	106,200.77	NO	101,037.04	5,163.73	8,194.19
72	1/9/1996	7/1/1933	2002	106,200.77	NO	131,437.04	-	-
72	1/9/1996	7/1/1933	2003	106,200.77	NO	160,000.00	-	-
72	1/9/1996	7/1/1933	2004	106,200.77	NO	162,500.00	-	-
72	1/9/1996	7/1/1933	2005	106,200.77	NO	167,500.00	-	-
72	1/9/1996	7/1/1933	2006	106,200.77	NO	172,500.00	-	-
72	1/9/1996	7/1/1933	2007	106,200.77	NO	177,500.00	-	-

SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Overpayments	
							Amount Overpaid	Forward to 6/30/2007
73	3/30/2002	6/1/1943	2002	182,357.59	YES	150,000.00	32,357.59	47,543.92
73	3/30/2002	6/1/1943	2003	182,357.59	YES	160,000.00	22,357.59	30,417.25
73	3/30/2002	6/1/1943	2004	182,357.59	YES	162,500.00	19,857.59	25,014.84
73	3/30/2002	6/1/1943	2005	182,357.59	YES	167,500.00	14,857.59	17,329.89
73	3/30/2002	6/1/1943	2006	182,357.59	YES	172,500.00	9,857.59	10,646.20
73	3/30/2002	6/1/1943	2007	182,357.59	YES	177,500.00	4,857.59	8,857.59
74	8/1/2005	7/31/1950	2006	185,520.96	YES	172,500.00	13,020.96	14,062.64
74	8/1/2005	7/31/1950	2007	185,520.96	YES	177,500.00	8,020.96	8,020.96
75	1/28/2006	4/8/1947	2006	145,464.90	NO	125,851.10	19,613.80	21,182.91
75	1/28/2006	4/8/1947	2007	145,464.90	NO	129,498.95	15,965.95	15,965.95
76	10/10/2005	7/4/1949	2006	102,863.41	NO	98,941.06	3,922.35	4,236.13
76	10/10/2005	7/4/1949	2007	102,863.41	NO	101,808.92	1,054.49	1,054.49
77	11/15/2002	11/1/1944	2003	169,426.56	YES	160,000.00	9,426.56	12,824.73
77	11/15/2002	11/1/1944	2004	169,426.56	YES	162,500.00	6,926.56	8,725.47
77	11/15/2002	11/1/1944	2005	169,426.56	YES	167,500.00	1,926.56	2,247.13
77	11/15/2002	11/1/1944	2006	169,426.56	YES	172,500.00	-	-
77	11/15/2002	11/1/1944	2007	169,426.56	YES	177,500.00	-	-
78	6/30/2006	11/14/1951	2006	182,280.37	YES	172,500.00	9,780.37	10,562.80
78	6/30/2006	11/14/1951	2007	182,280.37	YES	177,500.00	4,780.37	4,780.37
79	4/1/2002	10/1/1945	2002	154,886.10	YES	150,000.00	4,886.10	7,179.28
79	4/1/2002	10/1/1945	2003	154,886.10	YES	160,000.00	-	-
79	4/1/2002	10/1/1945	2004	154,886.10	YES	162,500.00	-	-
79	4/1/2002	10/1/1945	2005	154,886.10	YES	167,500.00	-	-
79	4/1/2002	10/1/1945	2006	154,886.10	YES	172,500.00	-	-
79	4/1/2002	10/1/1945	2007	154,886.10	YES	177,500.00	-	-
80	11/6/2000	10/30/1945	2001	75,481.79	NO	75,000.00	481.79	764.53
80	11/6/2000	10/30/1945	2002	75,481.79	NO	78,024.74	-	-
80	11/6/2000	10/30/1945	2003	75,481.79	NO	81,363.41	-	-
80	11/6/2000	10/30/1945	2004	75,481.79	NO	82,953.56	-	-
80	11/6/2000	10/30/1945	2005	75,481.79	NO	85,505.97	-	-
80	11/6/2000	10/30/1945	2006	75,481.79	NO	88,058.39	-	-
80	11/6/2000	10/30/1945	2007	75,481.79	NO	90,610.81	-	-
81	10/11/2003	3/5/1949	2004	166,581.16	YES	162,500.00	4,081.16	5,141.08
81	10/11/2003	3/5/1949	2005	166,581.16	YES	167,500.00	-	-
81	10/11/2003	3/5/1949	2006	166,581.16	YES	172,500.00	-	-
81	10/11/2003	3/5/1949	2007	166,581.16	YES	177,500.00	-	-
82	8/5/2000	9/1/1939	2001	97,643.62	NO	86,319.69	11,323.93	17,969.66
82	8/5/2000	9/1/1939	2002	97,643.62	NO	115,690.80	-	-
82	8/5/2000	9/1/1939	2003	97,643.62	NO	143,588.61	-	-
82	8/5/2000	9/1/1939	2004	97,643.62	NO	145,929.84	-	-
82	8/5/2000	9/1/1939	2005	97,643.62	NO	150,419.99	-	-
82	8/5/2000	9/1/1939	2006	97,643.62	NO	154,910.14	-	-
82	8/5/2000	9/1/1939	2007	97,643.62	NO	159,400.29	-	-
83	2/6/2004	1/1/1946	2004	165,203.49	YES	162,500.00	2,703.49	3,405.62
83	2/6/2004	1/1/1946	2005	165,203.49	YES	167,500.00	-	-
83	2/6/2004	1/1/1946	2006	165,203.49	YES	172,500.00	-	-
83	2/6/2004	1/1/1946	2007	165,203.49	YES	177,500.00	-	-
84	12/31/2002	12/1/1941	2003	163,616.96	YES	160,000.00	3,616.96	4,920.84
84	12/31/2002	12/1/1941	2004	163,616.96	YES	162,500.00	1,116.96	1,407.05
84	12/31/2002	12/1/1941	2005	163,616.96	YES	167,500.00	-	-
84	12/31/2002	12/1/1941	2006	163,616.96	YES	172,500.00	-	-
84	12/31/2002	12/1/1941	2007	163,616.96	YES	177,500.00	-	-
85	4/1/2002	2/7/1941	2002	158,193.67	YES	150,000.00	8,193.67	12,039.20
85	4/1/2002	2/7/1941	2003	158,193.67	YES	160,000.00	-	-
85	4/1/2002	2/7/1941	2004	158,193.67	YES	162,500.00	-	-
85	4/1/2002	2/7/1941	2005	158,193.67	YES	167,500.00	-	-
85	4/1/2002	2/7/1941	2006	158,193.67	YES	172,500.00	-	-
85	4/1/2002	2/7/1941	2007	158,193.67	YES	177,500.00	-	-
86	2/6/2004	6/15/1945	2004	163,573.22	YES	162,500.00	1,073.22	1,351.94
86	2/6/2004	6/15/1945	2005	163,573.22	YES	167,500.00	-	-
86	2/6/2004	6/15/1945	2006	163,573.22	YES	172,500.00	-	-
86	2/6/2004	6/15/1945	2007	163,573.22	YES	177,500.00	-	-

SDCERS Retroactive 415 Testing for VCP (2007)

Member ID	Date of Retirement	Member DOB	415 Limit Year	415 Testing Benefit	Uniform?? (Yes/No)	Adjusted 415 Limit	Overpayments	
							Amount Overpaid	Rolled Forward to 6/30/2007
87	11/23/2002	11/17/1946	2003	162,957.90	YES	160,000.00	2,957.90	4,024.19
87	11/23/2002	11/17/1946	2004	162,957.90	YES	162,500.00	457.90	576.82
87	11/23/2002	11/17/1946	2005	162,957.90	YES	167,500.00	-	-
87	11/23/2002	11/17/1946	2006	162,957.90	YES	172,500.00	-	-
87	11/23/2002	11/17/1946	2007	162,957.90	YES	177,500.00	-	-
88	3/31/2001	12/3/1943	2001	76,003.90	NO	75,000.00	1,003.90	1,593.07
88	3/31/2001	12/3/1943	2002	76,003.90	NO	87,931.01	-	-
88	3/31/2001	12/3/1943	2003	76,003.90	NO	101,130.32	-	-
88	3/31/2001	12/3/1943	2004	76,003.90	NO	102,982.98	-	-
88	3/31/2001	12/3/1943	2005	76,003.90	NO	106,151.69	-	-
88	3/31/2001	12/3/1943	2006	76,003.90	NO	109,320.40	-	-
88	3/31/2001	12/3/1943	2007	76,003.90	NO	112,489.10	-	-
89	4/1/2002	11/1/1941	2002	155,114.20	YES	150,000.00	5,114.20	7,514.44
89	4/1/2002	11/1/1941	2003	155,114.20	YES	160,000.00	-	-
89	4/1/2002	11/1/1941	2004	155,114.20	YES	162,500.00	-	-
89	4/1/2002	11/1/1941	2005	155,114.20	YES	167,500.00	-	-
89	4/1/2002	11/1/1941	2006	155,114.20	YES	172,500.00	-	-
89	4/1/2002	11/1/1941	2007	155,114.20	YES	177,500.00	-	-
90	11/10/2001	6/17/1945	2002	87,185.08	NO	83,667.46	3,517.62	5,168.53
90	11/10/2001	6/17/1945	2003	87,185.08	NO	92,625.37	-	-
90	11/10/2001	6/17/1945	2004	87,185.08	NO	94,367.63	-	-
90	11/10/2001	6/17/1945	2005	87,185.08	NO	97,271.25	-	-
90	11/10/2001	6/17/1945	2006	87,185.08	NO	100,174.87	-	-
90	11/10/2001	6/17/1945	2007	87,185.08	NO	103,078.48	-	-
91	3/31/2002	3/21/1944	2002	152,901.70	YES	150,000.00	2,901.70	4,263.55
91	3/31/2002	3/21/1944	2003	152,901.70	YES	160,000.00	-	-
91	3/31/2002	3/21/1944	2004	152,901.70	YES	162,500.00	-	-
91	3/31/2002	3/21/1944	2005	152,901.70	YES	167,500.00	-	-
91	3/31/2002	3/21/1944	2006	152,901.70	YES	172,500.00	-	-
91	3/31/2002	3/21/1944	2007	152,901.70	YES	177,500.00	-	-
92	3/29/1997	8/1/1932	1997	112,133.77	NO	107,482.41	4,651.36	10,041.94
92	3/29/1997	8/1/1932	1998	112,133.77	NO	111,869.44	264.33	528.40
92	3/29/1997	8/1/1932	1999	112,133.77	NO	114,062.96	-	-
92	3/29/1997	8/1/1932	2000	112,133.77	NO	116,256.48	-	-
92	3/29/1997	8/1/1932	2001	112,133.77	NO	120,643.52	-	-
92	3/29/1997	8/1/1932	2002	112,133.77	NO	141,418.52	-	-
92	3/29/1997	8/1/1932	2003	112,133.77	NO	160,000.00	-	-
92	3/29/1997	8/1/1932	2004	112,133.77	NO	162,500.00	-	-
92	3/29/1997	8/1/1932	2005	112,133.77	NO	167,500.00	-	-
92	3/29/1997	8/1/1932	2006	112,133.77	NO	172,500.00	-	-
92	3/29/1997	8/1/1932	2007	112,133.77	NO	177,500.00	-	-
93	6/30/2002	6/26/1941	2002	131,018.76	NO	116,632.29	14,386.47	21,138.45
93	6/30/2002	6/26/1941	2003	131,018.76	NO	144,750.41	-	-
93	6/30/2002	6/26/1941	2004	131,018.76	NO	147,103.75	-	-
93	6/30/2002	6/26/1941	2005	131,018.76	NO	151,630.02	-	-
93	6/30/2002	6/26/1941	2006	131,018.76	NO	156,156.29	-	-
93	6/30/2002	6/26/1941	2007	131,018.76	NO	160,682.56	-	-
94	11/20/2006	10/29/1951	2007	152,463.74	NO	90,975.43	61,488.31	61,488.31
95	10/30/2006	10/30/1951	2007	128,400.36	NO	90,464.97	37,935.39	37,935.39
96	1/31/2007	12/23/1943	2007	190,384.13	NO	177,500.00	12,884.13	12,884.13
97	9/21/2006	12/23/1943	2007	192,371.43	YES	177,500.00	14,871.43	14,871.43
98	3/24/2007	7/20/1948	2007	136,542.63	NO	127,955.35	8,587.28	8,587.28
99	4/6/2007	4/17/1951	2007	102,208.18	NO	98,948.37	3,259.81	3,259.81
100	6/2/2007	5/10/1952	2007	102,783.47	NO	90,999.74	11,783.73	11,783.73
101	1/20/2007	1/20/1952	2007	104,098.16	NO	90,464.97	13,633.19	13,633.19
102	11/14/2006	9/1/1951	2007	101,614.89	NO	92,239.43	9,375.46	9,375.46

Total	8,160,027.01
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EXHIBIT F

General - Blended - SSNRA = 65

Age	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
35	75,000	75,000	75,000	75,000	75,000	75,000	75,000	11,947	15,444	15,881	16,248	16,548
36	75,000	75,000	75,000	75,000	75,000	75,000	75,000	16,204	16,710	17,217	17,723	18,229
37	75,000	75,000	75,000	75,000	75,000	75,000	75,000	21,571	18,120	18,669	19,218	19,767
38	75,000	75,000	75,000	75,000	75,000	75,000	75,000	29,058	19,651	20,249	20,845	21,441
39	75,000	75,000	75,000	75,000	75,000	75,000	75,000	38,673	21,324	21,979	22,634	23,289
40	75,000	75,000	75,000	75,000	75,000	75,000	75,000	50,442	23,111	23,844	24,576	25,308
41	75,000	75,000	75,000	75,000	75,000	75,000	75,000	64,366	25,127	25,889	26,650	27,411
42	75,000	75,000	75,000	75,000	75,000	75,000	75,000	80,401	27,291	28,115	28,945	29,775
43	75,000	75,000	75,000	75,000	75,000	75,000	75,000	98,755	29,654	30,552	31,451	32,350
44	75,000	75,000	75,000	75,000	75,000	75,000	75,000	119,258	32,235	33,211	34,188	35,165
45	75,000	75,000	75,000	75,000	75,000	75,000	75,000	141,957	35,035	36,109	37,183	38,257
46	75,000	75,000	75,000	75,000	75,000	75,000	75,000	166,989	38,115	39,301	40,487	41,673
47	75,000	75,000	75,000	75,000	75,000	75,000	75,000	204,269	41,528	42,790	44,052	45,314
48	75,000	75,000	75,000	75,000	75,000	75,000	75,000	253,667	45,338	46,649	47,960	49,271
49	75,000	75,000	75,000	75,000	75,000	75,000	75,000	317,317	49,587	50,906	52,225	53,544
50	75,000	75,000	75,000	75,000	75,000	75,000	75,000	397,558	54,338	55,748	57,158	58,568
51	75,000	75,000	75,000	75,000	75,000	75,000	75,000	497,955	59,744	60,494	62,273	64,052
52	75,000	75,000	75,000	75,000	75,000	75,000	75,000	622,000	65,744	66,088	68,082	70,076
53	75,000	75,000	75,000	75,000	75,000	75,000	75,000	773,011	70,167	72,262	74,357	76,452
54	75,000	75,000	75,000	75,000	75,000	75,000	75,000	951,341	76,765	79,086	81,407	83,728
55	75,000	75,000	75,000	75,000	75,000	75,000	75,000	1,158,545	84,004	86,643	89,282	91,921
56	75,000	75,000	75,000	75,000	75,000	75,000	75,000	1,395,454	92,729	95,424	98,119	100,814
57	75,000	75,000	75,000	75,000	75,000	75,000	75,000	1,671,260	101,268	104,337	107,406	110,475
58	75,000	75,000	75,000	75,000	75,000	75,000	75,223	2,079,339	111,333	114,707	118,081	121,455
59	75,000	75,000	75,000	76,978	76,978	79,938	82,899	2,618,119	122,533	126,277	130,021	133,765
60	78,423	78,423	81,691	84,959	84,959	88,226	91,494	3,291,025	135,113	139,211	143,308	147,406
61	86,693	86,693	90,305	93,917	93,917	97,529	101,141	4,111,131	148,670	153,193	157,716	162,239
62	96,000	96,000	100,000	104,000	104,000	108,000	112,000	5,090,000	160,000	165,000	170,000	175,000
63	104,000	104,000	108,333	112,667	112,667	117,000	121,333	6,220,000	160,000	165,000	170,000	175,000
64	112,000	112,000	116,667	121,333	121,333	126,000	130,667	7,510,000	160,000	165,000	170,000	175,000
65	120,000	120,000	125,000	130,000	130,000	135,000	140,000	8,960,000	160,000	165,000	170,000	175,000
66	120,000	120,000	125,000	130,000	130,000	135,000	140,000	10,580,000	160,000	165,000	170,000	175,000
67	120,000	120,000	125,000	130,000	130,000	135,000	140,000	12,380,000	160,000	165,000	170,000	175,000

General - Blended - SSNRA = 66

Age	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
35	75,000	75,000	75,000	75,000	75,000	75,000	75,000		14,947	15,414	15,881	16,348
36	75,000	75,000	75,000	75,000	75,000	75,000	75,000		16,204	16,710	17,217	17,723
37	75,000	75,000	75,000	75,000	75,000	75,000	75,000		17,574	18,120	18,669	19,218
38	75,000	75,000	75,000	75,000	75,000	75,000	75,000		19,058	19,654	20,249	20,845
39	75,000	75,000	75,000	75,000	75,000	75,000	75,000		20,678	21,324	21,970	22,616
40	75,000	75,000	75,000	75,000	75,000	75,000	75,000		22,442	23,144	23,845	24,546
41	75,000	75,000	75,000	75,000	75,000	75,000	75,000		24,366	25,127	25,889	26,650
42	75,000	75,000	75,000	75,000	75,000	75,000	75,000		26,464	27,291	28,119	28,945
43	75,000	75,000	75,000	75,000	75,000	75,000	75,000		28,755	29,654	30,552	31,451
44	75,000	75,000	75,000	75,000	75,000	75,000	75,000		31,238	32,235	33,231	34,228
45	75,000	75,000	75,000	75,000	75,000	75,000	75,000		33,994	35,056	36,119	37,181
46	75,000	75,000	75,000	75,000	75,000	75,000	75,000		36,989	38,125	39,261	40,397
47	75,000	75,000	75,000	75,000	75,000	75,000	75,000		40,269	41,488	42,706	43,925
48	75,000	75,000	75,000	75,000	75,000	75,000	75,000		43,867	45,168	46,469	47,770
49	75,000	75,000	75,000	75,000	75,000	75,000	75,000		47,817	49,211	50,605	52,000
50	75,000	75,000	75,000	75,000	75,000	75,000	75,000		52,158	53,740	55,323	56,907
51	75,000	75,000	75,000	75,000	75,000	75,000	75,000		56,955	58,714	60,474	62,235
52	75,000	75,000	75,000	75,000	75,000	75,000	75,000		62,200	64,144	66,088	68,032
53	75,000	75,000	75,000	75,000	75,000	75,000	75,000		68,011	70,137	72,262	74,387
54	75,000	75,000	75,000	75,000	75,000	75,000	75,000		74,434	76,760	79,086	81,412
55	75,000	75,000	75,000	75,000	75,000	75,000	75,000		81,546	84,094	86,643	89,191
56	75,000	75,000	75,000	75,000	75,000	75,000	75,000		89,434	92,229	95,024	97,818
57	75,000	75,000	75,000	75,000	75,000	75,000	75,000		98,200	101,268	104,337	107,406
58	75,000	75,000	75,000	75,000	75,000	75,000	75,000		107,959	111,353	114,747	118,141
59	75,000	75,000	75,000	75,000	75,000	75,000	77,718		118,849	122,563	126,277	129,991
60	75,000	75,000	76,585	79,649	79,649	82,712	85,776		131,025	135,119	139,214	143,308
61	81,274	81,274	84,661	88,047	88,047	91,434	94,820		144,670	149,191	153,712	158,233
62	90,000	90,000	93,750	97,500	97,500	101,250	105,000		160,000	165,000	170,000	175,000
63	98,000	98,000	102,083	106,167	106,167	110,250	114,333		160,000	165,000	170,000	175,000
64	106,000	106,000	110,417	114,833	114,833	119,250	123,667		160,000	165,000	170,000	175,000
65	114,000	114,000	118,750	123,500	123,500	128,250	133,000	160,000	160,000	165,000	170,000	175,000
66	120,000	120,000	125,000	130,000	130,000	135,000	140,000	160,000	160,000	165,000	170,000	175,000
67	120,000	120,000	125,000	130,000	130,000	135,000	140,000	160,000	160,000	165,000	170,000	175,000

General - Blended - SSNRA =67

Age	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
35	75,000	75,000	75,000	75,000	75,000	75,000	75,000	14,947	15,417	15,881	16,348	16,818
36	75,000	75,000	75,000	75,000	75,000	75,000	75,000	16,204	16,710	17,217	17,723	18,231
37	75,000	75,000	75,000	75,000	75,000	75,000	75,000	17,571	18,120	18,669	19,218	19,768
38	75,000	75,000	75,000	75,000	75,000	75,000	75,000	19,050	19,657	20,263	20,869	21,475
39	75,000	75,000	75,000	75,000	75,000	75,000	75,000	20,673	21,324	21,974	22,624	23,274
40	75,000	75,000	75,000	75,000	75,000	75,000	75,000	22,442	23,144	23,845	24,546	25,246
41	75,000	75,000	75,000	75,000	75,000	75,000	75,000	24,366	25,127	25,889	26,650	27,411
42	75,000	75,000	75,000	75,000	75,000	75,000	75,000	26,454	27,291	28,128	28,965	29,802
43	75,000	75,000	75,000	75,000	75,000	75,000	75,000	28,755	29,654	30,552	31,451	32,349
44	75,000	75,000	75,000	75,000	75,000	75,000	75,000	31,256	32,235	33,214	34,193	35,171
45	75,000	75,000	75,000	75,000	75,000	75,000	75,000	33,994	35,056	36,118	37,179	38,240
46	75,000	75,000	75,000	75,000	75,000	75,000	75,000	36,989	38,145	39,301	40,457	41,612
47	75,000	75,000	75,000	75,000	75,000	75,000	75,000	40,269	41,524	42,780	44,035	45,290
48	75,000	75,000	75,000	75,000	75,000	75,000	75,000	43,867	45,238	46,609	47,980	49,351
49	75,000	75,000	75,000	75,000	75,000	75,000	75,000	47,817	49,311	50,805	52,299	53,793
50	75,000	75,000	75,000	75,000	75,000	75,000	75,000	52,153	53,730	55,307	56,884	58,461
51	75,000	75,000	75,000	75,000	75,000	75,000	75,000	56,935	58,611	60,287	61,963	63,639
52	75,000	75,000	75,000	75,000	75,000	75,000	75,000	62,200	64,000	65,799	67,598	69,397
53	75,000	75,000	75,000	75,000	75,000	75,000	75,000	68,011	70,017	72,022	74,027	76,032
54	75,000	75,000	75,000	75,000	75,000	75,000	75,000	74,434	76,700	79,066	81,432	83,797
55	75,000	75,000	75,000	75,000	75,000	75,000	75,000	81,526	84,092	86,658	89,224	91,790
56	75,000	75,000	75,000	75,000	75,000	75,000	75,000	89,434	92,224	95,014	97,804	100,594
57	75,000	75,000	75,000	75,000	75,000	75,000	75,000	98,200	101,253	104,307	107,360	110,413
58	75,000	75,000	75,000	75,000	75,000	75,000	75,000	107,939	111,333	114,727	118,121	121,515
59	75,000	75,000	75,000	75,000	75,000	75,000	75,000	118,649	122,363	126,077	129,791	133,505
60	75,000	75,000	75,000	75,000	75,000	77,198	80,057	130,400	134,525	138,649	142,774	146,898
61	75,856	75,856	79,017	82,177	82,177	85,338	88,499	143,303	148,670	153,191	157,712	162,233
62	84,000	84,000	87,500	91,000	91,000	94,500	98,000	160,000	160,000	165,000	170,000	175,000
63	92,000	92,000	95,833	99,667	99,667	103,500	107,333	160,000	160,000	165,000	170,000	175,000
64	100,000	100,000	104,167	108,333	108,333	112,500	116,667	160,000	160,000	165,000	170,000	175,000
65	108,000	108,000	112,500	117,000	117,000	121,500	126,000	160,000	160,000	165,000	170,000	175,000
66	114,000	114,000	118,750	123,500	123,500	128,250	133,000	160,000	160,000	165,000	170,000	175,000
67	120,000	120,000	125,000	130,000	130,000	135,000	140,000	160,000	160,000	165,000	170,000	175,000